

618



Haksar Memorial Volume II

Contributions in Remembrance

A HOMAGE
TO
P N HAKSAR



Contributions in Remembrance is the second volume of the first two of the series of Haksar Memorial Volumes, planned by the Centre for Research in Rural and Industrial Development (CRRID) as part of its regular academic programmes; ***Contemplations on the Human Condition*** being the first volume. These two publications are of great importance to those discerning readers, who are concerned about India today and tomorrow in the global context. In these two books the Centre for Research in Rural and Industrial Development (CRRID) has brought together the thoughts of P N Haksar and some of the finest minds in the country on the problems and potentials of Indian people and the human condition in the contemporary world.

The core of ***Contributions in Remembrance*** is the product of three week-long academic programmes of lectures and seminars organized annually by CRRID so far, since 2001, on the occasion of the birth anniversary of P N Haksar. Distinguished scholars of social and material sciences and humanities, and administrators, planners and diplomats, committed to an understanding of the contemporary world and its impact on India for both benefit and detriment, have tried to provide a profound analysis of India's achievements, failures and potentials and give a direction to its path of development within today's correlation of international forces. This volume also contains tributes to P N Haksar by some of those who had the privilege of interacting with him. Among these of particular interest are two pieces by Kamal Hossain, former Foreign Minister of Bangladesh, and Mueeedul Hasan, a close associate of the late Tajuddin Ahmed, Prime Minister of Bangladesh Government in exile, on P N Haksar's contribution to the liberation struggle of Bangladesh.

Contemplations on the Human Condition, the first of the two volumes published on the occasion of the fourth series of academic programmes in the memory of P N Haksar on his birthday, is a selection of his writings, speeches and personal letters. Together they represent the quintessence of his profound thoughts and penetrating analysis of the Indian reality and the world around him in a historical perspective. His scientific mind focuses on a wide range of issues with a bearing on diverse aspects of what he called the 'human condition'. His expressions are incisive, views provocative and rooted in the varied experiences of his life, nurtured in the crucible of his very rigorous mental discipline. Of particular interest are his personal letters to Indira Gandhi on matters of contemporary political concern and a section of his report to the government on Nigeria, when he was the Indian High Commissioner there. All these add up to P N Haksar's vision of the India of his dreams, a new India, truly democratic and secular and at peace with itself materially and spiritually.

The two volumes together open up new vistas of thought on India and the contemporary world.

Price: Rs. 1,345/- US\$ 70
(Set of two volumes)

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HAKSAR MEMORIAL VOLUME II

Contributions in Remembrance

Homage to P N Haksar

Reminiscences and Haksar Memorial Lectures

**Edited by
Subrata Banerjee**



**Centre for Research in Rural and Industrial Development,
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Published by
Centre for Research in Rural and Industrial Development
2-A, Madhya Marg, 19-A, Chandigarh- 160019 (India)

ISBN : 81-85835-46-2

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September 2004
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Price Rs. 1,345/- US \$ 70
(Set of two volumes)

Printed by :
Ace Graphics
At Chandika Press Pvt. Ltd.
126, Industrial Area Phase 1
Chandigarh
Cover Design : Acme



राज भवन हरियाणा
चण्डीगढ़
RAJ BHAWAN, HARYANA
CHANDIGARH

FOREWORD

It was an honour and pleasure to have known Mr P N Haksar as a friend, philosopher and guide. Writing a "Foreword" for the volumes containing his letters, writings and speeches and those contributed both by his friends and critics is a matter of great privilege for me.

The initiative taken by the Centre for Research in Rural and Industrial Development, which Mr Haksar nurtured for more than two decades and more, indicates its earnest desire to take up the task left behind by him as the Chairman of its Governing Body.

CRRID bears the definite imprint of Mr Haksar's worldview expressed through a combination of research and study by scholars in a multi-disciplinary academic environment. Mr Haksar always encouraged the contribution of senior scholars from humanities, social sciences, science and technology and other areas of human concern. CRRID, which started with meagre resources, has attained a unique place in the academic life of the country by dint of the hard work of its dedicated team of serious researchers, nurtured by Mr Haksar's vision.

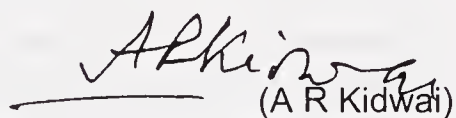
The effort made by CRRID in bringing out these volumes containing Mr Haksar's letters, writings, speeches and contributions of friends and critics, is extremely commendable and it is a treasure for the world of readers both known and unknown to Mr Haksar, who held the dignity of human beings as the highest denominator in judging human conditions.

Contemplations on the Human Condition and *Contributions in Remembrances* are two volumes of great importance to those discerning readers, who are concerned about India's present and future in the global context. In these two volumes, CRRID has brought together the thoughts of Mr Haksar

and some of the finest minds in the country on the challenges and potentials of the Indian people and the human conditions in the contemporary world.

These two volumes together open up new vistas of thought on India and the contemporary world and they add up to Mr Haksar's vision of the India of his dreams - truly democratic, secular, resurgent and at peace with itself, materially and spiritually.

I wish CRRID all success on this unique effort.



(A R Kidwai)

Governor Haryana

PREFACE

These two volumes, brought out in the memory of Shri P N Haksar by the Centre for Research in Rural and Industrial Development (CRRID), are a part of its academic activities carried out since its inception. Volume-I contains his speeches, writings and letters selected by the editor from different sources including his personal collections. Volume-II contains contributions by distinguished scholars, administrators, veteran diplomats, planners and well-known experts from the humanities, social and material sciences, the arts and culture, during the week-long academic programmes annually organized by CRRID since 2001, after Shri Haksar passed away in November 1998. These programmes comprised seminars, conferences and lectures followed by discussions. His friends and critics have enthusiastically responded to the idea of providing wider access to these discussions through a publication.

Shri Haksar had a highly organized mind and his views were reflective of in-depth study of a very wide spectrum of human conditions in a given time and space. He saw the future in the past and the past in the future. He did so by critically examining the historical fallout of the events, which his highly sensitive mind, endowed with love for nature and compassion, had witnessed over the years. He also inherited certain folk wisdom from his ancestors. These found expression in his writings, speeches and highly informative interactive sessions he held on many formal and informal occasions. His simple answers to complex questions were amazing. He highly respected human dignity and held in the highest esteem those in whom he found some virtue.

CRRID was fortunate to have Shri Haksar's guidance as Chairman of its Governing Body and editor of its quarterly journal, *Man & Development*. Above all he was a mentor of and a father figure for the small family of CRRID, which he tried to raise to an Institution of academic excellence. He used historical events to create new geographical boundaries. Similarly, he gave a pleasant turn to difficult events.

These two volumes are the beginning of a modest effort by CRRID, under the self-effacing guidance and contribution of Shri Subrata Banerjee, an old friend and colleague of Shri Haksar's for nearly 40 years.

This, as I said above, is a modest attempt. Possibly it is not fault free. Nevertheless, it owes gratitude to many of those who have contributed to the making of this beginning. Anonymity not being a constraint, it may, therefore, be appropriate to list the initial support given by Professor S K Goyal and his colleagues from ISID, my own colleagues, Professor Gopal Krishan, Ms Suman Khosla, Shri Ashwani Sharma, Shri Kulwinder Singh, Shri Hem Singh and a band of workers from CRRID. The same gratitude is extended to the colleagues from the Nehru Museum and Library, and IIC Library in particular, and those who unhesitatingly made valuable material available by placing their publications and other documents, especially personal letters from Shri Haksar, at the disposal of CRRID. The co-operation of his daughters, Smt Nandita Haksar and Smt Anamika Haksar, made possible collection of material from individuals, different Institutions and less known sources.

These volumes are unique both in the form and content in view of the widest range of Shri P N Haksar's own writings, speeches and contributions of distinguished authors, depicting the human condition in relation to the future looking into the past and the past looking into the future.

5 August 2004

Rashpal Malhotra
Founder-Director
Centre for Research in Rural
and Industrial Development

INTRODUCTION

Editing the writings of Shri P N Haksar and contributions in his memory is, for me a privilege and a challenge at the same time. It is a privilege, because it gives me an opportunity to share once more with him those stimulating moments of his enunciation of his concerns for what he called "the human condition".

He was seven years older than me. Thus, we belonged to the same generation. We shared many experiences in common, witnessed many historic moments and events of practically the whole of the twentieth century. These had moulded our thinking and values and world outlook to a large extent. He looked at every event in its historical context, linking today to yesterday and tomorrow. I believe that this was born of his internalization of Marxian materialist dialectics. This helped him look at life in its totality. Understandably, he did not believe that every word that the classical theoreticians of Marxism had written was a universal truth, immutable and frozen in time. He never, however, disclaimed his debt to Marxism. He was too much of a nationalist, not in the narrow chauvinist sense of the term, to be a communist, given the tendency of his communist friends, as he felt, to feel somewhat uncomfortable in the ranks of nationalists. From Haksar I had learnt to internalize my understanding of Marxism. At the same time I was able to transcend the so-called conflict between communism and nationalism, because of my personal experience in the communist movement. May be, I have said more than I should have in trying to explain why I feel privileged to edit the writings of my friend and mentor, Shri P N Haksar.

The challenge too lies in this relationship of mine with Haksar. I worked with him on editing *Man & Development* for about 15 years. During this period I became saturated with his thoughts, as they found expression in the selection of articles for the journal and his editorials. So much so that he relied practically entirely on me during the last few years when he gradually lost his eyesight. As far as *Man & Development* was concerned, I practically became his *alter ego*. This makes me feel that I may have fallen victim to hagiolatry, letting my heart overrule my mind.

Haksar was usually very meticulous about his writing. I remember for instance of having to read three versions of the first part of his autobiography, *One More Life*, before it went to the press. Each time there were significant changes in expressions or nuances. At the same time he wrote many pieces for journals or newspapers on contemporary events, which were necessarily somewhat ephemeral and yet shot with perceptive observations. I have avoided using such pieces as far as possible. It is quite possible that some have remained. In a collection such as this repetition of ideas and thoughts are probably inescapable. I have tried to avoid it by editing out some portions in at least one of the articles.

Furthermore, I felt that, but for a few exceptions, it would be pointless to publish in the volume, *Contemplations on the Human Condition*, which carries a selection of his writing and his letters, his writings that have already appeared in one or the other of his books *Premonitions* (1979); *Reflections on our Times*; *India's Foreign Policy and its Problems* (1989); and *A Basket of Fallen Leaves*. The years of the publication of two books are not available. Among the exceptions is *The Making of an Indian*. I am sure the reader will realize the importance of this piece in any collection of the writings of P N Haksar. The other exceptions are the editorials from *Man & Development*. The letters selected are naturally all from him, barring one exception. There must have been many more letters that we could not procure. There were many very personal letters, which their recipients were naturally unwilling to publish. Even in the letters that I have selected, especially those written to me, I have as far as possible edited out portions that I thought were too personal for general reader interest. This was a very difficult task. Observations of a person such as P N Haksar express not only his perceptive and stimulating thoughts, but also the personality of the man. This comes out more clearly in some of his letters. He had no hesitation in expressing his fondest feelings for his friends and the sincerest concern for their well-being. I have included in the letters section a very stimulating correspondence between two great minds P N Haksar and U R Rao. Two letters to Indira Gandhi, secured from among his personal papers, are brilliant examples of his

ability for penetrating and in-depth analysis of political developments.

I have not attempted to maintain a chronological order. I have tried to group together the articles, broadly, according to issues. The volume opens with a piece, which is full of his historical perspective. The next 28 articles relate to different aspects of Indian problems. The next 10 pieces are on international affairs. The next four articles are his tributes to some of his close friends. The last few writings cover his philosophy, life and world outlook. I hope some of these reflect the personality of this great intellectual and visionary, who moulded some of the finest hours of India's history. We have tried to indicate the date and source of each speech or article, except in the case of five, from among his personal papers secured from Nehru Memorial Museum and Library. In a few cases we have tried to identify the date from internal evidence. Some of these speeches and writings were uncorrected typescripts, which had to be edited to the minimum extent possible for readability. We shall be very thankful if any reader can help us in identifying dates and also securing correct versions of these speeches and writings so that we can make amends when we hopefully bring out a second edition of this volume.

The volume, *Contributions in Remembrance: A Homage to P N Haksar*, was not so difficult to handle. The first section contains essays written as tributes to P N Haksar and the rest consists of the papers presented at the three series of Haksar Memorial Lectures, organized by CRRID, held so far. Among the tributes I would like to draw particular attention to four pieces. Two are by the former Foreign Minister of Bangladesh, Mr Kamal Hossain and Mr Muyeedul Hasan, a close associate of the late Mr Tajuddin Ahmed, Prime Minister of the Bangladesh Government in exile. These two essays cover P N Haksar's role during the liberation struggle of Bangladesh. If we had only succeeded in persuading some of the Indian Foreign Service Officers, involved with the Bangladesh struggle, to write, we could have got a more complete picture of Haksar's role in those historic days. The third is a piece by Mr Unnikrishnan, the secretary attached to P N Haksar as Chairman of the Indian Statistical Institute. This

was published in *Man & Development*. The fourth contribution is a poem in Hindi by Dr P C Joshi. He felt that it would lose much of its character in translation.

The inadequacies, however, are evident. The tributes section should have had many more contributions. We did try. In many cases we got no reply to our letters. May be, we should have tried harder. This is also true of the lectures. Quite a few spoke, but presented no papers. We sent them transcripts of their speeches, but some of them did not get back. May be, we should have tried harder. May be, it is again hagiolatry on my part to say that quite a few who had received much intellectual food from Haksar, do not now feel the emotional need to be associated with his memory. This is indeed a pity. In the section containing lectures of the Third Haksar Memorial Lecture series, I have included a discussion on the lecture that the President of CRRID Society, Shri Keshab Mahindra, delivered. This is because of my perception of the need to draw attention to an issue of great contemporary importance to India.

In conclusion I must express my deepest sense of gratitude to my young friend, Shri Rashpal Malhotra, Founder Director of CRRID, for entrusting me with this task of editing these two volumes, which are expressions of our homage to Shri P N Haksar, whose contribution to the development of this centre, as the Chairman of its Governing Body till the last day of his life, cannot be measured in words.

I could not have carried out this assignment without the co-operation of Ms Suman Khosla, Editorial Research and Publications Officer of the centre. It was she, who worked in the Nehru Memorial Library and ferreted out some very important letters and writings of P N Haksar and prepared the material for the press. I must also thank Mr Ashwani Sharma and Mr Hem Singh of the computer section and Mr Kulwinder Singh, Research Assistant, for the hard work they put in to assist Ms Khosla in her task. As I chose to exercise remote control, for personal reasons, I must take the blame for any shortcomings and inadequacies that may have remained in the final text.

3 August 2004

Subrata Banerjee

CONTENTS

<i>Introduction</i>	iii
<i>Foreword</i>	v
<i>Preface</i>	vii

Reminiscences

1.	Developed Nation: The Vision <i>A P J Abdul Kalam</i>	3
2.	P N Haksar: Governance with Social Purpose <i>I K Gujral</i>	12
3.	P N Haksar and India's Finest Hour <i>Kamal Hossain</i>	17
4.	1971: PNH in Bridging the Security Gap <i>Muyeedul Hasan</i>	21
5.	Dreams and the Man <i>Ashok Mitra</i>	29
6.	P N Haksar: Some Memories <i>P K Unnikrishnan</i>	35
7.	Shri P N Haksar I Knew <i>M S Valiathan</i>	41
8.	On P N Haksar's 80 th Birthday <i>Bakul Patel</i>	45
9.	In Memory of Haksar Sahib <i>P C Joshi</i>	47

Lecture Series I - 2001

10.	Five Decades of Scientific Development: Memories of P N Haksar <i>Raja Ramanna</i>	59
11.	Religion and State in India and Search for Rationality <i>Satish Chandra</i>	65
12.	Humanism and the Medieval Hindi Bhakti Tradition <i>Savitri Chandra</i>	71
13.	Atomic Bombing of Hiroshima and Nagasaki: An analysis of the American decision <i>Matin Zuberi</i>	77

Lecture Series II - 2002

- | | | |
|-----|--|-----|
| 14. | From Confrontation to Confederation:
A Framework for Resolution of the
Jammu and Kashmir Question
<i>B G Verghese</i> | 97 |
| 15. | National Security: The Contemporary
Context
<i>Admiral Vishnu Bhagwat</i> | 110 |
| 16. | Challenges of Globalization
<i>P S Shenoy</i> | 124 |
| 17. | The Future of the Indian Financial Sector:
Foundation Paper for a National Debate
<i>A T Pannir Selvam</i> | 133 |
| 18. | Poverty Alleviation and Food Security:
Challenges to Policy-making in India
<i>R Radhakrishna</i> | 151 |

Lecture Series III - 2003

- | | | |
|-----|--|-----|
| 19. | Challenges of Governance: A Discussion | 183 |
| 20. | Economic Reforms in India In retrospect
and Prospect
<i>Charan D Wadhva</i> | 201 |
| 21. | Principles and Professionalism in Foreign Policy
<i>Jagat S Mehta</i> | 254 |
| 22. | An Intimate Relationship: Maulana Azad
and Jawaharlal Nehru
<i>V N Datta</i> | 277 |
| 23. | Ideological influences on Maulana Azad
<i>Iqbal Husain</i> | 287 |
| | <i>Contributors</i> | 295 |

REMINISCENCES

DEVELOPED NATION: THE VISION

A PJ Abdul Kalam

I am indeed delighted to give the First P N Haksar Memorial lecture. Despite his great stature in the national scene, I was fortunate to come in contact with him when he was a member of the space commission and visited the satellite launch vehicle integration lab at Thumba, where multiple systems were getting integrated and prepared for launch acceptance. At that time he was the Principal Secretary to Prime Minister. With smoke coming out of his pipe, and with a smiling face, he asked an important question; In satellite launch vehicle programme where does India stand? I looked at Professor Satish Dhawan, the then Chairman, ISRO, and then quickly responded to him saying that when the Rohini Satellite is injected SLV-III in earth orbit, we will be the fifth country! "Oh my Nation when you will be the first?". His words - "when my nation will be the first" reverberates in my mind even after nearly 20 years. When we launched AGNI missile system in 1989 again we were the fourth country to have perfected re-entry technology. When we conducted the nuclear tests and declared India a nuclear weapon state, India was the sixth country. How do we come out from this fourth, fifth, sixth, country syndrome, to the dream of Shri P N Haksar of India becoming the first country in certain technology areas?

The concepts and doctrines for the welfare of the nation can be generated by a few thinkers and scholars. What is needed is who can translate this concept and ideas into action to produce results. Shri Haksar in the book *A Basket of Fallen Leaves* has brought out this concept beautifully. He says "As Mahatma Gandhi astutely observed, no cause can triumph unless there are faithful agents to carry it through. The assembling together of such faithful agents articulating the urges for social, economic and political transformation is the major issue before our country." This statement of Shri Haksar is true for technology, political field, industry and societal upliftment. So it is an honour to remember this great son of India and give this memorial lecture. The triggering thoughts of Shri Haksar on the need for faithful agents led me to think, when my country will become a "Developed Nation". ? Hence the topic for today's talk is "Developed Nation : The Vision".

During the days of cold war, a predictable state of bi-polar world

First Haksar Memorial Lecture organized by Late Shri T N Kaul, the then Chairman, Editorial Advisory Board, *Man & Development* and Shri S K Chopra at IIT, New Delhi in 1999.

order was getting established with the UN forum providing the necessary platform for maintaining a sense of balance between the nations of the world. The discriminatory or restrictive laws of the western block of developed nations seemed justified on the basis of denial of technology to the specific nation. However, after the collapse of the Soviet Union, this east-west axis has taken a north-south orientation and the export controls and technology denial regimes now are directed mainly to the developing nations including India, to maintain the techno-economic superiority of the advanced countries, with political tone.

Today, we encounter twin problems. On one side, there is a large-scale strengthening of our neighbours through supply of arms and clandestine support to their nuclear and missile programmes, and on the other side all efforts are being made to weaken our indigenous technology growth through control regimes and dumping of low-tech systems, accompanied with high commercial pitch in critical areas. I always wonder at the logic of technology control regimes and how the world can silently witness and accept such a logic. Some countries can develop, stockpile and even proliferate, but we should not develop anything even for our defence. They can have weapons and carriers because they already have weapons and the others should not think of them, even when their security and sovereignty is threatened.

Growth of indigenous technology and self-reliance are the only answer to the problem. Technology not only leads to advanced systems and products, but also is the main engine for economic build-up and national development. A club of G-8 has emanated among themselves. The western industrially developed countries, therefore, set themselves on a path of accelerated techno-economic development. Therefore, in the present global scenario only strength respects strength. There is no doubt, indigenous technology development is the only key for India to attain fast economic strength. The need of the hour is technological excellence and self-reliance.

We have been able to overcome the technology controls and design and develop our own system. We have been able to develop core competence in many strategic areas like the space, missiles, nuclear technology, supercomputers and many such areas. We have been able to demonstrate our capability in several high technology systems. Nuclear tests, AGNI missiles, what India can learn from this, beyond technological accomplishments. These developments show our "will" to be strong and self-sufficient, to be independent from the fear of external threat and aggression, to be able to have the freedom of deciding our own destiny and foreign policy without being dictated.

The urgent issue that we need to address collectively as a nation is how do we handle the tactics of economic and military dominance in this new form. Today technology is the main driver of economic development at the international level. Therefore, we have to develop indigenous technologies to enhance our competitive edge and to generate national wealth in all segments of economy. Therefore, the need of the hour is arm India with technology.

Let us now explore how to arm India with technology not only for the purposes of defence and internal security, but also for food security, economic and social security of the nation and people. The vision for the nation is to transform India into a developed country within two decades.

India laid the seeding of independence in 1857. Freedom movement was the first vision for the nation. It took 90 years to get the freedom, using multiple methodologies to vacate foreign powers. The vision generated leaders across the political spectrum, many scientific leaders, industrial leaders, literary giants, great economists and several accomplished persons. In science and technology area a remarkable event took place during 1920-1925 in India. Internationally well known scientists were enriching the nation. They were Professors JC Bose, CV Raman, Meghnad Saha, Srinivasa Ramanujam and Subramanyam Chandrasekhar. In the book "*Chandra*", Professor Subramanyam Chandrasekhar describes:

I mean it is a remarkable thing that in the modern era before 1910, there were no (Indian) scientists of international reputation or standing. Between 1920 and 1925, we had suddenly five or six internationally well-known men. I myself have associated this remarkable phenomenon with the need for self-expression, which become a dominant motive among the young during the national movement. It was a part of the national movement to assert oneself. India was a subject country, but in the sciences, in the arts, particularly in science, we could show the west in their own realm that we were equal to them.

Independent India was born in 1947 with a label attached that it is a "developing country" pointing to the fact that it is not economically strong; there is a high dependence still for defence systems. India has no world standing among the nations, inspite of its size and potential. Therefore, the question arises as to how we physically and spiritually remove this label of "developing country" and become a "developed India" in two decades of time. Independence was the first vision realized by the nation and its people. On that foundation we need to build the

second vision of becoming a developed India with national, economic, food and social security.

With this vision of developed India let us look at what we should do to reach that status. It is a second major movement for the country after the great independence movement. In a movement everybody has a role. From the TIFAC document Technology Vision 2020, five thrust areas around which we can take several econo-technological actions involved in such a movement:

- Agriculture and food processing.
- Reliable and quality electric power for all parts of the country.
- Education and healthcare.
- Information Technology.
- Strategic sectors.

These five areas are closely inter-related and lead to national security, food security and economic security.

I wish to suggest how each and every Indian, in different walks of life, can contribute towards realizing the vision for the nation. I had discussions with economists, agricultural experts, technologists from different fields, from industry, government, administrators at various levels, non-governmental professionals and activists, media persons, and political leaders at different fora. After discussions, I feel concerted efforts in the five areas mentioned earlier can lead to a major movement towards transformation of the nation.

India should have a mission to achieve a production of a minimum of 360 million tons of foodgrains in two decades. This will allow for good domestic consumption and still leave a sufficient margin for food exports and aid to other countries. This mission will demand a great revolution in research, technology development, agricultural extension services, and above all a major network of marketing, storage and distribution.

Electric power is the most important part of the infrastructure. Besides assuring people of domestic comfort, it is imperative for increasing food production, and to support a whole host of manufacturing operations, in the engineering, chemical and material processing industries, as well as in the smooth operation of the entire transport, communications and information sector, all of which are vital to economic growth and employment. The growth of a nation's GDP is vitally linked to the availability of electric power, India's installed power capacity today is about 85000 MW. Only about 32000 MW reaches the

consumer. There is shortage of about 15 per cent in the peak power requirement. The requirement of electric power will only multiply because of the growth in the demand from various sectors. Immediate action is needed to greatly step-up the generation of electricity from coal, gas, hydro, nuclear and non-conventional energy sources. Research on non-conventional and nuclear sources of energy has to be enhanced, for the reason that fossil fuels may exhaust in a few decades as predicted by experts.

Apart from generation of power, another major mission is to ensure its efficient transmission. The consumer is interested in the actual quality of power that is available, and not in the statistics of the installed capacity of generation. Here the technologies and systems management for countrywide distribution is of crucial importance.

Consumers too have to be careful. Precious power should not be wasted by inefficient equipment, fans, lights or other industrial and domestic appliances or agricultural equipment. Therefore, technologies for energy-efficient and use appliances are of crucial importance to India.

Kuppu and Karuppan, in our book *India 2020: Vision for the New Millennium* as mentioned earlier in my talk, represent about 60 per cent of India's population. These two have the urge and the willingness to work hard. But because of the lack of education they are unable to utilize the available opportunities for better employment or to improve their standard of living. People like Kuppu and Karuppan have to break out of their educational handicap. The lack of educational opportunities and their poor quality of life perpetuate their poverty. Educated parents will never like to have uneducated children, as their future generation. Is it not true? Non-availability of preventive health care further weakens their bodies and, therefore, their capabilities. Can we break this vicious circle?

Professor Indiresan, who led the TIFAC (Technology Information, Forecasting and Assessment Council) panel to identify the driving forces and impedances, has tried to point the way out. Indians should be provided access to first-rate education and skill development opportunities. This cannot be done by the prevalent methods of village schools or other schools and institutes in towns and cities. We need to create clusters of villages with excellent internal connectivity through roads and communications, which are also linked to nearby urban centres. These rural clusters would have quality centres of education, and health support facilities. People can easily commute between the villages and acquire the best skills and education. Their access to well-

equipped health care centres will be the necessity. These centres would have the knowledge base to advise them on preventive health care methods. The teachers or medical personnel in these quality centres would also have access to other experts in India and even abroad through communication connectivity. Let us not forget India's excellent achievements in satellite communications. Besides technological expertise, what is required is good political and managerial leadership all over the country to implement this mission. Let not the children and grandchildren or Kuppas and Karuppas be handicapped. We can achieve an India without such handicaps by 2020.

In the *Technology Vision* document, software engineering and associated IT products and services are important core competencies. Fortunately, already a decision has been taken at the national level to make India an information technology power in about a decade. When this task force of IT is deliberating its final report, two important items are essential to be considered by them for special action. All of us feel that India has the intellectual power for higher levels of software. High level software provides a challenge to our best minds and at the same time it is a wealth generator. This should be focused upon as a mission area in IT. If the necessary enabling conditions are provided, this single area can transform our IT, electronics and manufacturing sector into a major economic entity. Another item relates to actions for the spread of IT applications countrywide for purposes ranging from boosting business to spreading knowledge about fundamental rights and responsibilities, impart skills, to provide preventive health care information and for several such items pertaining to acquiring a better standard of living. It can be a very useful tool for transmission of education to even the remotest parts of our country. India's system of education and skill-generation can be transformed in a decade if we can creatively and purposefully deploy IT technologies.

To reach the status of a developed India, in addition to the four mega-missions mentioned before, there is an equally important mission for national security. In today's environment, national security is derived from the technological strength of the nation; that alone will give us the real strength. It is India's experience, be it in agriculture or in the areas of the nuclear space and defence research, that when visionaries set a mission, results are achieved. This strength is to be further expanded with the creation of a few major industries in aerospace, advanced electronics, advanced sensors and advanced materials. These industries should operate in a market-driven environment winning global markets. For example, India should be in the business of building small passenger jets even with an international consortium. Likewise, we

should be in the business of selling satellites and providing commercial launch services. Marketing of aerospace systems, providing aircraft sub-systems, maintenance services to global customers, as well as business in products with advanced sensors and advanced materials, should become a part of our normal business. We should also begin aggressive marketing of various defence systems such as main battle tank, guns, LCA type aircraft, certain types of missiles and nuclear power stations. The thrust towards self-reliance should be coupled with global marketing, as the developed world force upon us. Such an approach should become the focus in the strategic sector. In this direction, the Ministry of Defence has a self-reliance mission of realizing 70 per cent indigenous defence systems by 2005, from the present 30 per cent. To achieve this target, the defence R&D and production infrastructure are already geared up and the partnership of Indian corporate sector has been sought to accomplish this major task. Similarly, other departments having technologies to establish major industries which serve the multiple needs of domestic and global markets. Every department of Government of India must be mandated to dual use technologies, which is a pre-requisite to protect these hard-earned wealth.

My suggestions for these major five missions, do not envisage the present methods of departmental implementation or expanding the governmental structures. In order that India marches towards the cherished goal of a developed nation, there is an urgent need to change the present methods of working and the mindset that has developed because of centralized managerial system. Many existing government structures would need to be drastically reduced. There should be reduction of monopolies and a greater competition in the implementation of many packages of these mega-missions. Therefore, private sector participation would be required along with more liberal and simplified procedures; healthy competition leads to greater efficiency and innovation. Empowerment of implementing teams would lead to speed in action and enhance capability to take risks. Wherever there is a government presence, its mode of operation should be made a facilitating one and the public accountability systems should be changed accordingly. I believe, that the five mega-missions when integrated and implemented with a national focus, will result in actions which will shape the second vision of the nation. The necessary financial, managerial and human resources would flow from those whose minds are ignited, including those in the government and industrial sectors.

The vision for a developed India is driven fully by economic development coupled with security needs of the nation. It is also

important that the intellectuals of the nation are equally reinforced. What it means is India due to its ancient civilization, in spite of over-powering by various invading nations, the intellectual wisdom needs to be sprung back matched with Indian value system. The intellectuals' mighty minds, built-in self-confidence with compassion for the service to poorer section will support most important demand for a developed nation-happy society.

I would like to share with you certain experiences, I had the occasion to participate and understand. This happened in a year's period. On 11 May 1998 the Chairman, Atomic Energy Commission, Dr. R Chidambaram and myself and some of our team members were working for the results of the underground nuclear test followed by another two. We were very close to the test site and countdown was progressing. At T-5 seconds hundreds of parameters for instrumentation were displayed. The mission was to take place in a few seconds. At T-O the event, we witnessed the whole earth shrugged, thundered in front of us and all around. We saw part of the earth rising. What a powerful energy India generated through nuclear weapons? This successful mission was the great partnership of DAE and DRDO. Self-reliant technology made the nation to become a nuclear weapon state. The second event is to do with a missile system. On 11 April this year the AGNI-II took off with computer command from the beautiful island range. Six hundred parameters were monitored in real time through a series of radars and telemetry stations and ship-borne instrumentations interlinked through our own communication satellites. The AGNI with its payload reached with close accuracy on the target 2000 kms away. The partnership of DRDO labs, academic institutions and industries brought this important success and it is a triumph for self-reliance, in spite of the technology denial.

Another event is about India's rocket technology. It reached its prime when the ISRO launched successfully the operation Polar Satellite Launch Vehicle on 26 May 1999. The PSLV, that has the third largest booster in the world, and above all the ISRO reached a stage of integrating its own satellite IRS, a German and a South Korean satellite. India can compete in the launch vehicle programme for launching other countries' satellites also. This is the result of a great visionary Professor Vikram Sarabhai on self-reliance.

Another area of India's core competence is the information technology. Within five years time our software product potential has increased from a few hundred million dollars to four billion dollars more than half of which are exported. Some of our software companies have

been recognized as equal professionals in various software export houses in the world. All these events, I am narrating to the young community because, if India decides and works for it we can do it. When TIFAC brought out the Vision Document evolved by 500 experts and submitted it in 1996, one major question often asked was the tasks are bigger and people are not to the same dimension. The nation is still not prepared how such a vision of developed India can be accomplished. In my lecture I was presenting our national core-competence and also wherever we decided we can, India will do it and India has done it. For the realization of the Vision two important factors have to enter into our psyche and minds. They are: the self-reliance in thinking and actions and a national decision that India should become a developed nation.

Few dream and many transform it into thoughts and thoughts have to be transformed into actions. I would like to tell particularly to the young audience of this gathering, the vision is bigger than us. The developed India needs a revolution in the minds of the young. Enter into it. Ignited minds are indeed the powerful resource to transform this nation from the developing nation of 50 years into a developed nation in less than two decades time. Technology is the prime mover for the vision for the nation.

P N HAKSAR : GOVERNANCE WITH SOCIAL PURPOSE

I K Gujral

Mr Rashpal Malhotra, learned members of the faculty, honoured participants in the seminar, ladies, friends.

This is not my first visit to this centre of learning and research that has carved out a commendable place for itself in the academic life of the country. My last visit here was a rushed one. I had promised you Mr. Director to come again. Somewhat belated, I am here this morning to fulfill that commitment. Thanks for your invitation.

There is one more reason, for my joining you this morning. My erstwhile colleague, Mr. T K A Nair, had told me that this seminar is to commemorate the memory of a distinguished son of India— P N Haksar. I join you all to offer my humble homage to his memory. I am aware of the contributions that he had made for the development of this Institute.

Many in this room would remember P N Haksar as a warm friend, and as a highly merited intellectual, with uncommon courage who could stand up and get counted and took keen interest in all worthwhile causes.

I had the good fortune of associating with him during crucial phases in the nation's life. Lal Bahadur Shastri's demise at Tashkent was sad, it suddenly caused political uncertainties that ended with young Indira Gandhi's election as Prime Minister. Though politically shrewd, she was still new to the intricacies of governance, even though she had been a minister in the Shastri Government. Though, if I may say candidly, while occupying that office she did not exhibit much talent as an administrator or as a parliamentarian. To her discomfort and to the embarrassment of her young cohorts — like Dinesh Singh and myself, Ram Manohar Lohia would cynically call her the 'Goongi Gudia' (Dumb Doll). But this handicap was short lived.

In the first year of her premiership, she retained L K Jha, as head of her secretariat, but she soon lost her confidence in him, primarily due to devaluation of the rupee that gravely downed her political reputation. Her meticulous search for Jha's successor spotted P N Haksar, whom

Text of address at the Second P N Haksar Memorial Lecture Series at the Centre for Research in Rural and Industrial Development, Chandigarh on 10 September 2002.

she had known in her London days. She discussed his name with some of us in the 'Kitchen Cabinet' as it was called. We did not know Haksar personally since he had spent most of his time serving in the diplomatic missions abroad but we endorsed her choice, when she told us of his political affiliations with the Nehru family. Haksar, as you would know made, his presence felt very soon after entering the high office. He turned, the PM's Secretariat into a power centre and made it a fountainhead of ideas and policies. By then Indira Gandhi had shed off her shyness and uncertain demeanor, while Haksar radicalized her socio-economic policies and centralized authority around her. This was the beginning of a new style of governance that bore close resemblance to the Presidential system. Perhaps this was inevitable, since the political circumstances were radically different than in the Nehruvian era. Nehru, all through the 17 years of his rule did not set up a PM's Secretariat or even a PMO. He was assisted by one secretary, though he occasionally used the senior officials in the MEA for co-ordination. Panditji had several advantages that were unique. His Cabinet comprised of eminent persons who were his comrades in the freedom struggle. They had similar views regarding the socio-economic purpose of governance. Men like Sardar Patel did not require any guidelines from the PMO nor would Maulana Azad, Pant, Kidwai or Ambedkar seek policy directions from any secretary. They were men of colossal dimensions who were masters of their domains. The Cabinet meetings were friendly and harmonious; in a way, these were the replicas of the Congress Working Committee meetings of the past. The style and purpose of governance was to speedily reach the promised destination, since they were conscious of the brevity of the time available to them.

It may be of interest at this stage to recall the fateful years of history, I mean the decades of the thirties and forties, when the Congress Party, as vanguard of the freedom struggle, was visualizing the shapes and shades of free India. A planned economy, that would modernize it, and devolve power and authority to the federal units and further down to the grassroot levels; a foreign policy that would zealously guard its independence and ally with dark people of Africa and the liberation struggles in Asia and elsewhere; a tolerant secular society, that would hand out equitable social justice; a pluralistic secular polity that would regularly renew its mandate from the adult population and would safeguard their fundamental rights, and devote its attention to expeditious eradication of poverty, illiteracy and backwardness. These were to be the paradigms of governance that were laced with Gandhian humanism. Gandhiji had seen the naked face of inhuman governance

during his stay in South Africa. He would not let it be replicated in India of his dreams.

In this mood of retrospection, let me also recall the Gandhian insistence on immaculate conduct in public life. His religiosity would not associate with any hue of revivalism. The scholarly leaders of the freedom struggle like Maulana Azad understood the difference between spirituality and obscurantism. Impartment of scientific temper in the people was therefore important for the future of the modern nation. They were conscious of their role as history makers that required an in-depth understanding of contemporary trends in world history. They were familiar with the ideas and adages of the French Revolution. They had witnessed the process of Socialist Revolution in Russia. For them the 'Swaraj', as a concept, was a 'Social Contract' and a solemn pledge.

The European colonizers had eroded our sovereignty, our ways of life, but they had also familiarized us with the Industrial Revolution that had adversely impacted our insular economies and the feudal styles of governance. It was easier for the Nehru-led governments to sustain, both the edifice and style of governance that was handed over to them on that fateful day. But to undertake the onerous tasks of social transformation with such tools of administration was cumbersome. This hierarchical system of governance may have served well in the past but it was burdensome when it came to management of a modern social welfare state. In the 50 years of our Republic this system has performed but only in part. It is the legendry half-full part of the glass that is causing widespread disbelief.

The founding fathers of our State were bestowed with critical minds that were selective. They had assimilated some of the Fabian ideas that favoured parliamentary democracy coupled with the non-capitalist methods of economic development. Nehru was also impressed by what he had seen in the Soviet Union, though his liberal mind would not buy the Stalinist concepts and methods of governance, even when he saw merits in the 'planned economy' and speedy social transformation of a medieval society. Authoritarianism, by whatever name it may be called, was not acceptable even though he was partly a Marxian and partly a Fabian, but more than these he was a liberal democrat whose views were laced with the Gandhian humanism. These were the basics on which the lofty edifice of our nation-state was raised and these I feel must continue to be the paradigms of governance of the Republic.

The two regimes of the Nehru family, that of the father and the daughter, spanned the infancy and maturity of our nation-state.

Indira Gandhi had inherited the ideals and ideas of her father. She undertook the mighty tasks of consolidation of the state. In this she was successful. Victory in the 1971 war was decisive. It drowned the two nation theory in the Bay of Bengal and strengthened the composite secular state. Peaceful incorporation of the bordering state of Sikkim was another feather in her crown that added one more ethnic community to our multi-ethnic nation. Some unresolved problems of these events are still visiting us that should be attended to in spirit of accommodation.

Governance of the country, after such remarkable achievements, should have been smoother and more dynamic, but the reverse happened. Here I may once again invoke the name of P N Haksar. So long as he played a determining role in policy making the governance of the country was charged with a social purpose. The diminution in his authority landed the Republic in marshy lands of Emergency. The actors and the impulses that caused both, that is, his exit and the ruthless style of governance, were the same. The Republic was pushed down into the morass of uncertainties and unethical governance. The polity has not yet fully recovered from that mishap. Corrupt practices in public life and, criminalization of politics had acquired ascendancy in that era. It has since been multiplied causing widespread chagrin.

What do we do, to revive the pristine glory of the Republic? To our great fortune the main pillars of our democracy, i.e., the higher judiciary; the Election Commission and also the Human Rights Commission and the independent media are assertive and independent. Despite all the misgivings these constitutional institutions have valiantly sustained the glorious edifice of the Republic.

As is known, most of our problems emanate from unethical practices during the polls. It is indeed sad as we all know, even those, who may be otherwise honourable and respectable get compromised during the polls, wherein money and muscle rule the roost. It is saddening to note that the promised electoral reforms have remained buried for nearly three decades, now facilitating entry of criminals into the sanctified temples of democracy.

The recently issued ordinance, meant to neutralize the Election Commission's dicta, adds to widespread feelings of hopelessness. Similar has been the fate of the Lok Pal Bill, the Election Commission's efforts to democratize the political parties, which in most cases are captives of a family or of the fiefs.

Corruption is eroding our body politic and it must be firmly

tackled. At the same time, we must know that the trials by the media that view every allegation as judicial conviction are causing immense harm paralyzing the honest officials. There is urgent need for such judicial reforms as would hand out speedy justice and liquidation of the pending cases.

As I am about to conclude, I must say that, in addition to the identified problems that continue to strain management of the state, there are new situations and problems with which our outmoded concepts and styles of governance are unable to cope. The much talked of Information Revolution needs improvements and extension of specialized education and speedy eradication of illiteracy. Also reforms in governmental methods of functioning are needed. Dynamic economic activity and outmoded styles of governance cannot co-exist.

Computers can be easily provided but it would hardly serve any purpose if the minds behind these are bureaucratic and policies obsolete and obscurantist. The change of minds and attitudes begin at an early age in the schools and universities. Many States of India have successfully met the challenge and are moving ahead speedily, but many are left behind. Such a situation would pose a serious and grave problem. No nation can be partly advanced and partly backward. There cannot be two different levels and styles of governance.

May I thank you all for patiently hearing me? I am sure your deliberations in the seminar will indicate an agenda of reforms that would make governance modern, dynamic and people oriented. It seems that as a nation, we know what ails us, but we are hesitant when it comes to therapies.

PN HAKSAR AND INDIA'S FINEST HOUR

Kamal Hossain

I first met Mr. P N Haksar in April 1973. Following the election held soon after the adoption of the Bangladesh Constitution, Bangabandhu had assigned to me responsibility for foreign affairs in his new Cabinet. During my first week in office, a proposal had been received for a visit by Mr. P N Haksar as special envoy of Prime Minister Indira Gandhi. We had responded promptly, welcoming the visit as this would provide an opportunity to take stock of progress on various fronts in our relations with India and to deal with certain outstanding matters which were the legacy of the war of independence. These were the problems presented by several hundred thousands of Bengalis stranded in Pakistan, an even larger number of non-Bengalis who identified themselves as Pakistanis and wished to leave Bangladesh for Pakistan, and over 90,000 prisoners-of-war who were still in camps in India.

I had heard Mr. Tajuddin Ahmed and those who had worked with the Government headed by him from April to December 1971 speak of Mr. Haksar's special role as Secretary to the Prime Minister in the inner councils of decision-making. Critical decisions during that period had involved the timing and levels of support to be given by India to our liberation struggle, relations with the pro-liberation forces which had crossed over to India in the face of the military onslaught unleashed on 25 March 1971 and with the Government which had been established in Mujibnagar in April 1971 is recognized as India's finest hour. Its political leadership had succeeded in uniting the country behind it in support of Bangladesh's liberation struggle and the diplomacy conducted by it in a world still riven by the Cold War had achieved extraordinary success. Despite his own modest disclaimers, Mr. Haksar's contribution to that success is widely acknowledged, as is the wisdom of his counsel, which had urged that unified and co-ordinated efforts by all the pro-liberation forces was essential for victory.

His visit in April 1973 had proved to be catalytic. He came with a constructive and problem-solving approach, one which viewed the problems and possible solutions within a wider framework of objectives and values. This had led him to urge that any initiative we might take should be guided by a shared vision of the future in which countries of the subcontinent would strive to replace the conflict and confrontation of the

This is the English version of the author's foreword to the Bengali translation of *One More Life*.

past, by relations of friendship, good-neighbourliness and mutually beneficial co-operation. This was seen as being overwhelmingly in the interest of the people of each of our countries. This approach anticipated the increasing focus on “human security” in the current discourse on foreign policy and on global and national security.

This approach enabled us, Bangladesh and India, transcend the obstacles presented by delay in formal recognition, and made possible the Joint Declaration of Bangladesh and India in April 1973. Deferring the issue of formal recognition, we had declared that we would take the initiative to pursue a solution based on a process of co-ordinated and simultaneous repatriation of stranded Bengalis to Bangladesh, stranded Pakistanis to Pakistan and a return of prisoners of war, subject to the trial of a stipulated number. The responsibility fell upon Mr. Haksar to conduct successive rounds of discussions in Islamabad and Delhi. During these discussions, he maintained continuous consultations with us almost on a daily basis. These discussions bore fruit as they broke the deadlock and led to the agreement concluded in August 1973, which enabled stranded Bengalis to return home, a number of stranded Pakistanis to be returned to Pakistan, and initiated the process of return of prisoners of war to Pakistan.

From this working together emerged a friendship with Mr. Haksar, which I have cherished for 25 years through the ups and downs in our personal lives and in the lives of our countries. I had taken the opportunity whenever I had been in Delhi to call on Mr. Haksar, often at short notice, always to be received with warmth and affection. When I called on him last year (1997) I had inquired about the state of progress with the second volume of his autobiography, since the first volume entitled *One More Life*, had been relished by so many of us.

This remark prompted him to suggest that a Bengali translation of his first volume might be something, which would enable him to share his autobiography with the people of Bangladesh. I offered to arrange for this to be done. My request to a most accomplished translator, Supriya Bari, was readily acceded to. Thanks are due to her for undertaking this task out of her respect for Mr. Haksar and for completing it within the shortest possible time, despite her many preoccupations in Geneva.

This slim volume is remarkable. Compressed into around 100 pages is a rich account of the first 16 years of Mr. Haksar's life, from 1913 to 1929. It presents an imaginative reconstruction, as seen through the eyes of a child, and then of an adolescent, of family relationships, of playmates and friends, of the evolving understanding of life and of the

different surroundings in which he had found himself as his father was transferred from one place to another as a member of the judicial service.

For me who had first met Mr. Haksar when he was at the peak of his career and involved in high affairs of state, it was an unexpected privilege to have such intimate glimpses into his life as a child, and even more so, into the values and attitudes that provide insights into his personality.

A few passages reproduced below convey clearly his “disdain” for money, the value he attached to the esteem of those whom he respected, and to “self-respect” and integrity as motivating elements in his life. These passages also testify to his sense of duty and striving for perfection in the course of work, and to a sensibility, which is sensitive to the universal appeal of different faiths.

On money and the pursuit of wealth: (p.xi)

“I always remained surprised when paid a fee or salary, I viewed the money I received with a certain detachment with traces even of disdain. This did not mean that I had no use for money, but only I failed to acquire a feeling for it. I could never persuade myself to get involved in the pursuit of wealth.”

On work (pp.xi-xii)

“Though money did not motivate me, the esteem and affection of human beings did, specially of those whom I respected ... Work in response to moral obligation, or out of a sense of duty, has certainly motivated me. It was from a sense of pride in seeking to do whatever one had to with perfection which, of course, I never attained. But a deep sense of pride, of self-respect, and the conviction that I should never do anything dishonourable and so fall in my own estimation, were there partly and possibly inherited, but probably imbibed through constantly hearing since early childhood that our family could never be bribed, bought or made to bend.”

On self-respect (p.17)

“... surveying the life and work of my ancestors, a deep impression was left on my mind from my earliest childhood when my mother had uttered ‘we are *khandani*’. Those words meant to me only one thing: that our sense of self-respect prevented us from bending and bowing. I have thus cherished deeply but quietly a sense of self-respect within me and someone has said that self-respect is the best quality human beings could have to fight the beast in themselves.”

On the universal appeal of different faiths (p.103)

“... The only source of relief was the haunting call of the muezzin

who woke me each morning when he chanted the azan as the cock crew. Even to this day, the muezzin, the minaret, and the mosque move me as much as the chants of Vedic hymns or a church choir singing Ave Maria...”

(P.117)

“The muezzin's voice mingled with our invocation to the gods and goddesses. I had two contrary emotions: on the one hand, I resented the intrusion; on the other, I thought the muezzin's call was utterly enchanting, for it seemed to link our Sanskrit quatrains to the Arabic of the Quran. We were being blessed by two great traditions blending in harmony at this particular moment.”

Since reading the first volume one had been eagerly awaiting the publication of the second, which would have covered the many historic events, which Mr. Haksar lived through and in which he himself had participated. It would not only have given us the benefit of his invaluable insights for a better understanding of those events, but of his thoughts and reflections, which would both illumine and inspire.

1971: PNH IN BRIDGING THE SECURITY GAP

Muyeedul Hasan

My first meeting with Mr. P N Haksar took place at his residence at 9 Race Course Road, on 30 May 1971. It was a Sunday, 11 in the morning, five days after I reached New Delhi, looking for better understanding of India's Bangladesh policy.

Perhaps a little background information is required why I went to Delhi. I was in Dacca till 3 May, and worked with a small group to help organize the resistance movement. By the end of April, as resistance within the country thinned down, our group's activity required a meaningful focus. It was important to know if the exile government, hardly two weeks old, would be able to reverse the decline of armed resistance, mobilize enough external support to continue the struggle for independence and, also, if they would need any specific services from our group.

Accordingly, I crossed the border near Agartala, and reached Calcutta hoping to meet Bangladesh's Prime Minister Tajuddin Ahmed within the next few days and return to Dacca. I met him on 12 May, only after he returned from his second trip to New Delhi, along with his cabinet colleagues. We had a long discussion on that day and the next day, as he wanted to know all the details seen and perceived in Dacca. He gave me a brief rundown of the promises of help he had received from Indian Prime Minister Indira Gandhi, the progress his new government had made, and touched on a few thorny problems, including lack of political cohesion, hindering war efforts. On the whole, in his view, things were improving, and without giving any details, he hinted that a new phase of insurgency would soon begin, but wondered how Pakistan would react to it.

Since the formation of Bangladesh Government, a prognosis was going round in Pakistani circles in Dacca that, in the next phase if an Indian-backed insurgency reached a threatening dimension, Pakistan might have to declare war against India, upon ensuring China's tactical intervention along India-China border. India had no such ally; its north and north-eastern borders with China were vulnerable, its military strength was not known for its capabilities of fighting war at all the three fronts simultaneously. Would India take a huge risk to its own security by continuing to support the liberation war beyond Pakistan's tolerance level? Tajuddin acknowledged a problem there. Would India be able to bridge the security gap on the northeast by seeking Soviet Union's support, whose large army was kept deployed along the disputed north-

west border of China? Tajuddin did not have a view. Or, would India let the refugee inflow to pile up further, which by then exceeded four million, and be coerced to accept a US-brokered compromise with Pakistan? Please go to Delhi, and try to find out the answers to all these, Tajuddin said finally.

That called for quite a few more sessions, shelving the plan for my returning to Dacca. The only option that appealed to us was to try for a security arrangement between India and the Soviet Union to restrain China from extending help to Pakistan. Would India agree to promote such security arrangement with the Soviet Union? Could we make our struggle for independence a little more acceptable to the Soviet Union, by involving CPB and CPI, who had endorsed our cause? At that point of discussion, Tajuddin suggested that I should see P N Haksar, Secretary to the Prime Minister, in New Delhi and he wanted to send a word to him to that effect. Why particularly him, I wanted to know, since I heard that he took a negative stand when some of our cabinet members pressed for recognition to Bangladesh during a meeting with Indira Gandhi in New Delhi hardly a week ago. Because, explained Tajuddin, they were facing enormous problems, which we cared least to understand, and moreover Haksar was the key person needed to be convinced first before a proposition had reasonable chance of progressing further. I would meet him, I said, but a little later, let me first find out the details of their policy and what pressures it was encountering.

On board the morning flight to New Delhi on 24 May, next to me was sitting Professor Daniel Thorner, who was posted in Dacca as a Ford scholar, and was known to me for his very helpful role during the turmoil. Even without knowing why I was going to New Delhi, he volunteered a few names worth talking to in order to understand how Indian policies were responding to the evolving situation. As he mentioned Haksar's name, I enquired if he knew him well enough? Sure, from 1939, when the two of them plus Krishna Menon and Shelvankar used to roam in and around Gower Street to share some radical dreams in the backdrop of gathering clouds over Europe. But if I wanted to see Haksar, he came back to the present, an appointment could be fixed soon enough. Daniel's second and most generous offer that morning was his invitation to share the guest room he was going to occupy in New Delhi. Barely half an hour later, at the airport baggage collection point, he introduced me to the host Dr Ashok Mitra, Chief Economic Adviser to the ministry of finance, a man of profound knowledge and integrity, on whom I started counting to steer my way through in Delhi's power-centric terrain. And the door of his house at Lodhi Estate was always kept open for all my subsequent visits.

To feel New Delhi's political temperature, I decided that morning to venture out to the office of the *Hindustan Times*. Daniel volunteered to come with me. Luckily editor B G Verghese, whom none of us met before, was available and he responded with frankness to my opening shot: what's next as the euphoria over Bangladesh was nearly over? After a round of inconclusive discussion on hard policy choices India was facing, Verghese made a generous invitation to interact with a small group of people having diverse views on the same subject over dinner next day.

Next morning I visited the CPI headquarter, and listened to an assessment on the current situation made by two senior leaders, Comrades Bhupesh Gupta and Krishnan. They were of the view that a policy of helping the Bangladesh liberation struggle, was growing lately; and the 'pro-American lobby' within the Indian government was exerting tremendous pressure to seek political settlement with Pakistan through American mediation. I accepted their assessment, but also wanted to know what would happen if the lobby favouring 'political settlement' failed to effect a policy change in New Delhi? Would not Pakistan try its next option to derail the liberation struggle by starting a war against India and, worse still, try to manoeuvre China to start conflicts along India's north-eastern frontier? If China was tempted to play such role, would not the Soviet Union, with its huge army mobilized along Chinese northwest border, put a little pressure to restrain China? The matter had not progressed that far, in their view, but if it did, India should take the initiative for asking for appropriate help from the Soviet Union. I could not help inferring that India had not taken such initiative till that time.

In the evening, editor Verghese organized a rare opportunity to listen to a wide variety of views at the residence of *The Times of India's* resident editor Giri Lal Jain, whose forthright views made me aware that the main crisis, according to changing public perception, was how to address the growing refugee burden, rather than helping the Bangladesh liberation struggle. The view of editor Narayan, of left leaning *The Patriot*, was more comforting to my ear, but did not dispel doubts that the existing policy could adequately cope with the evolving crisis. K Subramaniam of IIDSA handled, with professional objectivity, the problem of unabated refugee influx and its immense capacity to ignite a major security crisis. G Parthasarathi, probably the most informed man on policy in that crowd, raised more questions having a bearing on Pakistan's capacity to resolve the political mess it had created, the prospect for rapprochement between Sheikh Mujib and General Yahya under US sponsorship, and also ways to revive the liberation struggle in the near future. Before parting, he quietly invited me to his residence next evening.

During the next evening at GP's residence, I met a smaller crowd, only two apart from the host, and closer to the centre of power: Indian planning minister C Subramaniam, and the foreign secretary T N Kaul. I kept my expectation level low about getting hard information from people involved at the policy level and also tried to avoid speculative areas in answering their questions. In short, no brain storming like the previous evening. But it was interesting that some of the questions raised the previous evening, were raised once again by GP, perhaps he wanted to hear the same answers along with his guests. From all these discussions, I got the impression that even at the higher policy level, the existing policy on Bangladesh was not being perceived as something adequate or sustainable.

Next day after lunch hour, as I came back to Mitra's residence, I met an unexpected visitor waiting for me, who introduced himself as Major General B N Sarkar, Military Secretary to the Chief of Staff of the Indian Army. He showed an unusual interest to hear my ideas on how to set up a political infrastructure to help launching resistance operations inside Bangladesh. He unrolled some old survey maps of East Pakistan and wanted to know the prospective targets for insurgent operations, nearby political bases for support and sanctuary, distances from the border, communication routes, etc. His second visit after two days made me think that some kind of staff work was perhaps on, and not everything was in a state of flux. The same evening Daniel told me that P N Haksar had invited us 'for a coffee' at 11am next day. I assumed that the actual time for discussion might not be that long, and, hence, I jotted down the issues that Tajuddin wanted to know, but with modifications in the light of the information I gathered during last few days.

PNH was very warm and happy seeing his old friend Daniel, but did not let me feel that I was less welcome. It was his weekend too, so with rest of his family, wife and two teenage daughters and Daniel around, family matters were touched upon, before he smoothly glided into the field of civil war, making it easy for me to speak. I started with a brief narration of my journey, during last one month, through three different cities Dacca, Calcutta and New Delhi; and how with the change of locations the perspective kept on evolving, so did my perception about what required to be done. It evoked no immediate questions, but a vague sign of interest, which made me put across all my thoughts in following sequences.

No clear road ahead, and the refugee influx could ignite unforeseen political crisis; ad hoc assistance to skirmishing would not lead to any strategic breakthrough, could only widen Pakistani reprisals

and increase refugee outflow; no 'political solution' would work, would not give any confidence to refugees to return till Pakistani troops were withdrawn, nor the junta would withdraw troops for fear of greater peril; only to a liberated Bangladesh refugees would go back, and to liberate it a large number of freedom fighters needed to be trained and inducted according to a well formulated strategy; Pakistan might disrupt that build-up by a pre-emptive war, in collusion with China making diversionary attacks along India's north-eastern border; only the Soviet Union, because of its huge mobilization on China's border, had a powerful lever to restrain China and fill in India's security gap; to overcome the Soviet apathy towards Bangladesh's independence, an ideological format could be created by floating a national liberation front comprising of AL and two pro-Moscow parties of Bangladesh, CPB and NAP; such unity with a common programme of setting up a political infrastructure could help well co-ordinated attacks deep within the country; and, finally, it was for India to make its armed forces ready to effect a final blow and fulfil the conditions for refugees to go back.

A tiring long canvas, I took quite a bit of time to elaborate, but PNH listened to me without any interruption, and at the end he got up to telephone to someone: 'Professor sa'ab, if you are free, why don't you come over and share pot luck with us, there is somebody from Bangladesh.' P N Dhar, Advisor to the Prime Minister, joined us soon after. But before that PNH asked his first question — would it be acceptable to Awami League to forge unity with other parties even on a minimum programme? No, I answered, the party as a whole had been all along opposed to seeking unity with other parties, and rightly so after they won almost all the seats in the last election. But now as the situation had drastically changed, their views would change too, and in fact, sections of the AL leadership were considering to seek some kind of unity to pursue a programme with other pro-liberation forces, including CPB and NAP, in order to set up secure bases within the country to assist guerilla operations, and, also, to improve the acceptability of the Bangladesh struggle to the Soviet Union.

PNH asked me if he could know who led that group. I mentioned Tajuddin's name, and hastened to add that all I spoke to him a little while ago, were discussed previously with Tajuddin in details, and it was his idea that I should draw your attention to our view on broader geopolitical aspects of the struggle; and that he also wanted to arrange a meeting with you, but meanwhile Daniel's unparalleled enthusiasm changed that format somewhat and gave me an opportunity to try out the ideas first and establish references later. Daniel, the extraordinary American

scholar friend of Haksar, who was listening all through, could not contain his happiness at this point. Before leaving, Haksar wanted me to postpone my departure by a day, and to see him on Tuesday at his office at the South Block.

When I met him at his office on Tuesday, 1 June, he was warm and more communicative, and I felt from the very nature of his talk that my references meanwhile had been checked. He wanted to know more details about the prospect of floating a multiparty front, and the ground work required to be done in this connection, and said that he would remain interested to know about its progress. Secondly, he said that someone on behalf of the Bangladesh Prime Minister should try to set up direct contact with the Soviet ambassador or a senior embassy official and should maintain regular contact with them to exchange views. He said nothing about the prospective security co-operation agreement with Soviet Union, nor did he dispel our perception about China's possible collusion with Pakistan to derail the liberation war. But by showing interest in promoting a liberation front, to suit Soviet Union's ideological taste, and by advising that regular contacts be started with Soviet embassy officials in India, he gave me an impression that our views were worth considering.

On return I briefed Tajuddin about the strong cross-currents in New Delhi over Bangladesh policy, and the broad understanding that was reached with PNH. Tajuddin said that he would soon be able to start work to promote the national liberation front. Hardly a week after my return, Aruna Asaf Ali, publisher of *The Patriot*, came to Calcutta and informed me that following a request from PNH, she had made an appointment for us with V I Gurgianov, of Soviet Cultural Centre located at Wood Street in Calcutta, who would receive us whenever we wanted. Tajuddin wanted me to carry on the dialogue. During the very first session he was awfully frank in expressing his negative views about the viability of the liberation struggle, the political commitment of its leadership for a long drawn struggle, and India's capacity to sustain it. Despite the tough stance during the first session, the negotiation continued for three more weeks, once every week, mostly discussing about perspective than policies. He started accepting that something new was emerging and eventually some common ground was identified.

Nothing appeared to have happened in the next five weeks to indicate that developments were taking place along the expected line. The public expectations meanwhile kept on boiling in favour of 'political solution', to be mediated by the US, which received a setback during the third week of June, after the disclosures that a number of US ships were

sailing towards Pakistan carrying armament spares and components. The hype reached its highest point on the occasion of President Nixon's national security adviser, Dr Kissinger's visit to New Delhi during the first week of July. I received a message around that time from PNH enquiring about the progress made towards formation of the national front. That was the first indication in more than a month that the approach decided upon earlier was still relevant, despite all the interactions between India and the US at various levels. But Tajuddin meanwhile made little progress in floating the proposal of national alliance, since he faced hostile factional campaigns on the advent of AL elected representatives' conference (5 and 6 July) at Siliguri, and he barely succeeded to pacify a faction openly advocating for 'going back to the country to carry on the fight or seek reconciliation with Pakistan, since India had let us down in every respect'.

I went to New Delhi soon after Dr Kissinger's secret trip to China was made public, which created commotion in all circles, and dismay for those who advocated US mediation so far. On 19 July, a little late in the evening, PNH dropped in at Ashok Mitra's house and informed me that 'some thing very positive, along the line we discussed, was going to happen soon'. To be precise, as I barely mentioned the name of Soviet Union, he gave a firm nod. I left for Calcutta the very next day, and Tajuddin planned to start the initiative for the multiparty unity, but only after the security co-operation treaty between India and the Soviet Union was signed.

On 9 August, the Indo-Soviet Treaty for Friendship and Co-operation was signed in New Delhi, which Kissinger subsequently termed as a 'bombshell' in his memoirs. Indeed, the treaty, by agreeing to have joint consultation in the event of a threat from a third party and to take appropriate action to restore peace and security, decisively changed the course of subsequent events. As the reconstruction of history goes on, some writers in recent years play down the threat of collusion perceived by us to the level that the US was using the Pakistani channel to open up to China for its own geopolitical interest. That might well be, but, in addition, there was a darker aspect of that opening too, as Richard Nixon made it clear in his memoirs: "The Chinese played a very cautious role in this period. They had troops poised on the Indian border, but they would not take the risk of coming to the aid of Pakistan by attacking India, because they understandably feared that the Soviet might use this action as an excuse for attacking China. They consequently did nothing". (page 530)

And how much Haksar did to make that strategic treaty a reality?

I have not seen any official papers on that yet, but I can reproduce from my notes on what D P Dhar told two years later. A draft treaty for friendship and co-operation was first proposed by the Soviet Union in the buoyant era of 'Brezhnev doctrine' in 1969, and DP, as India's ambassador in Moscow, had negotiated it for six long months, twice every week on Wednesday and Saturday, before it was finally shelved as both sides failed to resolve their differences. DP was summoned to Delhi in June 1971, and Haksar gave him the brief to reach an agreement on the treaty incorporating the amendments acceptable to the Soviet side but covering the security contingencies India might be facing. PNH followed it up all the way down till it was presented to get the approval of the political affairs committee, a committee of cabinet members, where PNH, P N Dhar and D P Dhar were present just to assist them if required!

DREAMS AND THE MAN

Ashok Mitra

London, mid-thirties, the world in the throes of deep economic depression. The sun did not still though set on the British empire. Of the contingent of bright young Indians who were being drilled by Rajani Palme Dutt into the mystique of the inevitable impending global revolution engineered by the international brotherhood of the working class, K T Chandy flaunted the largest stock of the reddest of red ties; P N Haksar however had the most sumptuous rooms. Haksar's digs therefore became the natural meeting place of the would-be insurgents.

Europe soon drifted into Adolf Hitler's World War; the flock who nurtured the Federation of Indian Students' Societies in Great Britain, Northern Ireland and Europe rushed back home. Some of the returnees straightaway entered the lair of the Communist Party, where PC Joshi took charge of them. Those who did not formally join the party dispersed all over. But, for most of them, pride in, and loyalty to, the cause survived the vicissitudes of diverse career choices. That apart, Dutt's young acolytes had another memory to share: their involvement, while in London, in the activities of the India League. Much, much later, even when it was seemingly the end of the road for him, they refused to disown Krishna Menon.

Some phases of personal history remain vague; whether, on his return as a barrister-at-law, Haksar headed directly for the Allahabad high court, or he had an intermediate stop at a quiet locale in what is now Madhya Pradesh, for the purpose, of setting up a communist party cell. Misgiving over the sudden transformation, in 1941, of the imperialist war into the people's war must have caused his change of route. Most Kashmiri Pandits are related to one another in some manner or other. So it was not difficult for Haksar to come closer to Jawaharlal Nehru. Nehru of course was always the hero *non pareil*. His *Autobiography*, just published on the eve of Haksar's sailing for the Tilbury docks, had duly bowled the latter over. The traumatic devotion to Nehru — and to the Nehru household — was not obliterated by the interlude in England, nor, by association with the deeper-hued Marxists.

Following independence, Nehru picked him for the foreign service. For one full decade, as he drifted from one assignment to the next, Haksar watched the scene, domestic as well as international. It was for him a kind of waiting in the wings. As he waited, he learnt, he taught

himself certain crucial lessons, such as when to be vocal and when to keep quiet, irrespective of one's inner emotions. He also made a resolution during these times not to suffer fools, despite the fact that such fools densely populated the senior rungs of the hierarchy he belonged to.

His upward mobility in the foreign service evoked a mixed response. The Minoo Masanis were ready with their cudgels; neither Haksar's India League past nor his loyalty to friends who stayed the stretch as communists was allowed to be forgotten. Nehru's declining years, particularly following the 1962 skirmish with China, could hardly have made Haksar's left-over tenure in the foreign service all that comfortable. He nonetheless survived. Unlike his colleagues and seniors, he had cultivated a wide range of interests in lieu of the passion for the tittle-tattle aka cocktail diplomacy. He was a connoisseur of paintings and a voracious reader of art history. He combined his love for Sanskrit and the classics in that language with the ability to read, at an enormously fast pace, European history and fiction at one end and contemporary books on international relations and military strategy at the other.

When posted in Britain, he, not surprisingly, became friendly with Nye Bevan. Apart from possessing in common the gift of a dry, wry humour, both were excellent cooks and spent long hours exchanging views on the culinary tricks of trade. His other strong point, some would say, the principal one, was the natural charm of a Kashmiri and the dignity with which he displayed it. He was, besides, a wonderful raconteur of stories — even dirty stories, if the company was right.

This man, rich in talent, an Allahabad Nehruvian to his fingertips, the song of socialism in his heart, of impeccable Kashmir Brahmin stock, was biding his time. Events ensued, as if to vindicate his conviction that in case the will was there, wishes could be turned into horses. Death cut short Lal Bahadur Shastri's tenure as prime minister. Circumstances, aided by those in the Congress who deeply disliked Morarji Desai, catapulted Indira Gandhi to power.

For the first few months, the prime ministerial slot was to her a nightmare. The devaluation of the rupee in 1966 midpoint and the near-famine in Bihar put the Congress high command in a sneering mood. The general elections the following year were a very near thing. Indira Gandhi gritted her teeth and decided. She needed help; much more than formal help, she needed someone she could rely upon, one hundred per cent. Parameswar Narain Haksar, Jawaharlal Nehru acolyte, friend of Feroze Gandhi, ex-Mayo Hostel, fitted the bill. He was summoned from London and installed as secretary to the prime minister.

Haksar's kingdom was gifted on his lap. In a couple of years, the office of the prime minister underwent a sea-change. Haksar the ideologue and Haksar the tactician planned and plotted to convert his dreams into reality; Indira Gandhi went along. A sortie of well aimed midnight letter missiles took care of the Congress old guard, but the problems remained. The organization of the Congress party was by now shot full of holes; it was scarcely the appropriate agency to galvanize the masses into a social convulsion which would ensure the country either a decent rate of economic growth or a balanced structure of income and assets distribution, balanced in both inter-class and inter-regional terms. Nor could one lean on the rusty mechanism of the government apparatus. Given too much latitude, ministers and their civil servants, sans ideology and social commitment, were bound to pull in different directions. Haksar's mind was made up: to concentrate power and decision-making in the prime minister's office, and to install loyal individuals in key slots in the individual ministries and departments who would ditto the prime ministerial bidding to the last detail.

Haksar's early years in the company of Communist Party cadres helped him to grasp the ground rules of how to go about things, silently and efficiently, so that all resistance could be weakened and the prime minister's office emerged supreme. Indira Gandhi's stray thoughts on socialism proved a masterstroke. Bank nationalization and the suspension of the princes' privy purses swung the pendulum of mass support. The cycle of good monsoons and the effects of the high yielding varieties of seeds did not harm either.

Some gamesmanship was involved, a few corners were cut, a couple of scruples were brushed aside, but ultimately nothing succeeds like success. The *garibi hatao* election ushered in piping victory. Haksar saw to it that his friends from younger days, radicals of many hues, contested the polls and won: many from amongst this crowd were appointed ministers. They knew only too well who was the most powerful man in the country at that particular moment.

One friend, who had made pots and pots of money in the legal profession, chose to ride in his Bentley for the swearing-in as minister, he received an open tongue-lashing from Haksar and opted for a prim Ambassador next day onwards. Quite a few junior ministers would actually rise in their seats when PNH entered a room. It is immaterial whether Haksar approved or was disdainful of such conduct. The feudal burden cannot be easily heaved off. The prime minister's office was in any case recognized by everybody as the most crucial entity in the new

system. But instead of being the *deus ex machina* for social revolution, it soon turned, very nearly, into a version of guided democracy.

By now, Indira Gandhi was ready to claim what she thought was her legitimate inheritance. A backroom boy, even one of Haksar's stature, was in her reckoning still a backroom boy. Haksar created the edifice, but it was for Indira Gandhi to avail of it in the manner she wanted to, not in the way Haksar wanted. The relationship between the two could not have been altogether smooth. He knew too well her strengths and her weaknesses to make her position as prime minister unassailable. Haksar of course played a major role. Even so, it was she who was the prime minister. That apart, she was Motilal Nehru's granddaughter and Jawaharlal Nehru's daughter. Those in inferior positions should know the line they are supposed not to transgress.

Haksar was correct to a fault. One or two things still rankled. Haksar, for instance, tried to fob off Sanjay Gandhi's demand to pocket the Maruti project by offering him Scooters India instead. Indira Gandhi was not amused.

The dream of socialism via the post office of the prime minister's office was soon rendered defunct. Docile individuals were put to work by Indira Gandhi to engage in more mundane missions such as squeezing money for royal coffers from both the private sector and public undertakings. That global phenomenon, corruption, was internalized.

There was one remaining chapter of glory. Indira Gandhi captured the headlines and received showers of accolades for the feat from Atal Behari Vajpayee and others. It was however Haksar who was, from beginning to end, the planner and architect of the Bangladesh campaign. Setting up the 'independent' regime of Mujibur Rahman's followers in exile, chalking out the logistics of the diplomatic battle against Pakistan, signing the defence treaty with the Soviet Union thereby facilitating the confrontation of the Pakistani troops in the river terrains of what-was-to-become Bangladesh: each manoeuvre bore the stamp of Haksar's intellectual prowess and his deftness that enabled hitherto unimaginable phenomena to be turned into commonplace ones.

The last significant breakthrough he ought to be credited with — the Shimla agreement — on which our bureaucrats and politicians now routinely fall back whenever confronted by awkward questions on Kashmir — is a remarkable piece of strategic benevolence; Pakistan has been trying to break free of that prison of an agreement ever since.

It was past high noon though; Indira Gandhi, the empress of

India, had no further need of P N Haksar in tow. Haksar was soon eased out of his office and put to graze in the Planning Commission. The Emergency caught up with him there. Sanjay Gandhi was not given to either forgetting or forgiving. In the frenzy of the Emergency, Haksar's octogenarian uncle, who owned a garments and handicrafts outlet in Connaught Place, was picked up, handcuffed and led by the rope tied to his waist to the police lock-up, for allegedly committing the offence of not displaying a proper price list of the wares he was selling. It was a harrowing tale of mean-minded vindictiveness. After the Emergency was over, Haksar's wife wrote a full-blown account of what had happened.

Haksar himself kept quiet. Many had at that time raised the query why, the day his uncle was dragged away to prison, he did not resign his slot as Deputy Chairman of the Planning Commission. It would be silly to suggest that he was frozen by fear. The real reason must be much more deep-seated. Despite snubs and insults, the sense of filial loyalty to Nehru's family failed to come to a surcease. To him, P N Haksar, the problem was essentially private and personal. But to the nation, his silence became the subject of far-fetched, and often wild, interpretation.

He was still around for nearly another quarter of a century, perhaps mulling over in the mind his positive as well as negative contributions to nation-building, the sad naiveté of his superstructural dream not excluding. Feudalism, he must have concluded, could never be a vehicle for social transformation. Haksar must have burned up within himself with retrospective contrition.

But all that hardly detracts from the grandeur of his vision. And if it is sin to forget his other dimensions. A person of infinite charm and unsurpassable dignity, he stood by his friends, even when they chose to desert him. His philosophical poise allowed him to absorb the shock of such betrayals — and of what Feroze Gandhi's progeny did to him.

To this writer, more than a dozen years or more Haksar's junior, the fondest recollection is that of the warmth of his affection. This affection had an inclusiveness which refused to recognize barriers of grammar and convention. A cosy family gathering, PN playfully arguing a point with a combative Nandita and an equally obdurate Miku, with Urmila Haksar looking on; a stray visitor would drop in, and would be immediately drawn in into the proceedings; the home and the world would lose their separate identities.

That was P N Haksar's specific charm. A final remembrance is of

a repartee. The last few months of his life, his strength was fast ebbing, he himself knew what was happening and would puff away at one cigarette after another. One felt like remonstrating with him, and one did. Pat came the response: 'Ashok, I thought you were my friend, not my doctor.'

Add up such memories, and you have P N Haksar.

P N HAKSAR : SOME MEMORIES

P K Unnikrishnan

I am indebted to Haskar Saheb in more ways than one for the love, care and concern he bestowed on me. There is, therefore, an urge within me to say something in his memory, to pay my humble tribute to a person with whom I have had the pleasure of working very closely for almost 22 years. This brief tribute is, therefore, an attempt on my part, howsoever inadequate, to see him and feel him when he is no more. Inevitably, my expression would be inadequate, for which I offer my apologies.

Ever since the death of Mr Haksar on 27 November 1998, I have continued to suffer from a sense of personal loss. I have also felt that it has been a national loss. He was truly one of the greatest sons of Mother India, whom he served all his life. He was proud to be an Indian and placed national interest above everything else. For him the nation was supreme and his deep concern for the country and its people was touching. I still remember the day of one of the recent general elections. He was unable to go to the polling booth because of poor eyesight. Disappointment was writ large on his face. I happened to drop in at about 4.30 pm. I asked him if he had been able to cast his vote. Very sadly, he said: 'No, Unni, I couldn't go.' We immediately set out for the polling booth.

Mr Haksar's knowledge was encyclopaedic. There was no subject in which he was not interested be it science, society or culture. His obsession with the cultural heritage of India was well known. He was thus rightly made the Chairman of a high-powered committee to look into the working of the three National Akademis, Sahitya Akademi, Sangeet Natak Akademi and Lalit Kala Akademi, as well as the National School of Drama, in 1987-88. He always believed that there must be a blend between culture and education, as education devoid of cultural values was incomplete and could only produce 'babus' of the British Raj. He, therefore, had been ardently advocating the need to synthesize and blend education with culture. He firmly believed that the Indian civilization was unique and it had survived the ravages of time when other civilizations perished over time.

Mr Haksar was a symbol of humanism. His humane approach brought him the admiration, respect and reverence of everyone who came in contact with him. It was interesting to see that even those who

disagreed with him could not fail to admire his deep understanding of complex and complicated issues. Many said to me personally, that the time spent with him had been so rewarding, that one could not get through books or journals.

The vast extent of knowledge he stored in his brain was born of his deep passion and concern for the ills affecting the contemporary world and the condition of humankind. Thus, in an article published in the *Blitz* in 1991, he wrote:

When I look at the contemporary human condition purely from the point of view of the diplomatic history of our time, I ask myself the question: Why have the great variety of structures built by diplomats since the end of World War II failed to take roots? And, the answer lies, I think, in the fact that these structures have been built without taking into account the ground reality of human awareness and human aspirations...

So, the problems and perspectives of Indian democracy stem from the two broad parameters of our time, namely, the rising aspirations of the people and the knowledge that these aspirations can be satisfied if we apply the knowledge we have, to feed the hunger of the heart and the famine of the brain. Those are the two major perplexities of the human drama on this earth.

Most of the time one found him contemplating the current situation, which caused him acute pain and anguish. According to him, the twenty-first century posed a great challenge to the world. This anguish found expression in a poem which the distinguished poet, William Watson, wrote in the early part of this century (1904): *True Imperialism*. The poet had, in a thoughtful manner, sketched humankind's folly of being caught in the grip of the materialist world. Mr Haksar never missed an opportunity to quote this poem whenever he spoke on the subject. Since it is a poem which was very dear to his heart, I am reproducing it below:

Here while the tide of conquest rolls
against the distant golden shores;
starved and stunted human souls
are with us more and more.
Vain is your science, vain your arts,
your triumphs and glories vain to feed
the hunger of the heart

and the famine of the brain.
Your savage deserts howling,
your wastes of ignorance, vice and shame.
Is there no room for victory here?
No fields for deeds of fame?
Arise and conquer while ye can
the foe that in your midst resides
and build within the mind of Man
an empire that abides.

Mr Haksar was very sad about the state of affairs in the present-day world and more particularly the political developments in contemporary India. He had seen the India of the British Raj and the India of the Nehruvian era and the Gandhian mode of public life. He was, therefore, concerned about the eroding cultural values and declining public morality. Thus, reflecting on the dilemma posed by the twentieth century, in his Maulana Azad Memorial Lecture delivered in 1996, he said:

When I ask myself why we are caught up in the dilemmas posed by the twentieth century, the only answer I could get is that while all kinds of pollution are measured and quantified, we have failed to come to grips with one particular kind of pollution, viz., the pollution of the mind. And this pollution has its roots in power and pelf. In our ancient tradition in India, mental pollution is rooted in kama (uncontrolled sexual desires), krodha (anger mixed with hatred), mada (intoxication of power and not merely liquor), lobha (avarice) and moha (excessive attachment). There is profound truth in this if we examine the themes of the Shakespearean tragedies of Othello, Macbeth, Hamlet and King Lear. I often wonder to myself why in a country like ours which boasts of great and ancient civilizations, we have not succeeded so far in universalizing education, intimately linked with culture from the primary stage to the highest stage in our universities. I yield to no one in my admiration and veneration of Jawaharlal Nehru. He romantically called Bhakra Nangal Dam, Durgapur Steel Plant and other such great projects as temples of modern India. And yet, when we survey the field of education, we cannot but observe large areas of barrenness.

Mr Haksar was concerned about the future of humanity. While he believed that humanity had the potential to survive the vicissitudes of

life, Homo Sapiens would face greater dangers in the changing world, more attracted towards material comforts than humanism as a way of life. Thus, in his keynote address at the Narsingh Narain Memorial Seminar organized by the Indian Humanist Union in 1992, he said:

I am one of the great admirers of the American people and their spirit. But that country, despite all its riches, is sadder than them. Why? Because, somewhere deep down, western civilization committed an error, and we are repeating that error that ever-increasing satisfaction of material appetites. Yet, there was this poet who said:

'Vain is your science, vain your arts
your triumphs and glories vain
to feed the hunger of the heart
and the famine of the brain....'

You might as well write an epitaph on humanism rather than an epic on humanism, but I am sure we will write an epic on humanism. Our country is capable of not only finding its own salvation, but having a message for the contemporary tortured world. That message is contained in a single word. That word is 'pluralism'. There is no time for me to elaborate on this theme, but it essentially means respecting each human identity and yet transcending it. It is because pluralism has constituted a centre, a cornerstone of our ancient civilization that we have survived, as Iqbal put it, the ravages of time. Let us ponder over it.

True, his reflections are worth pondering over. They emerged from the depth of the heart of a person who had a vision of the future. And truly, his vision and premonitions are coming true. These premonitions, however, were not a pessimistic point of view, but were born out of his vast knowledge and experience in international affairs. He could, therefore, foresee with clarity where the world was heading and that premonition caused him anguish and pain.

It was a pleasure to listen to him as he contemplated the panorama of the present-day society, the anguish, the pain, the concern for humanity.

I have often wondered, what was so special about Mr P N Haksar. The answer has always eluded me. And yet, I feel deeply that there was something special about him, but it is difficult to describe. Was it his simplicity? Was it his outstanding calibre as a seasoned diplomat? Or, was it the way he interacted with people? Was it the humanism in him? It was all this and more. And yet one cannot be

precise. But what really stood out above all was his unflinching and uncompromising sense of values of a true human being in every sense of the term.

Another very remarkable attribute of Mr Haksar was his memory. He was gifted with a remarkable memory. He could recall with precision dates and events as if out of a diary. He knew exactly where to find what. I often wondered how he remembered the names and authors of books and the particular paragraph in a particular book he was looking for, out of a collection of more than 10,000 books! And all this without the help of a librarian! He knew exactly where the book was lying. No wonder, despite being a student of Physics, Chemistry and Mathematics, he had a fascination for history. He always believed that history told us how things happened, and this knowledge was essential for finding answers to the present-day problems.

Mr Haksar took great pride in being an Indian. He was very much influenced by great poets like Rabindranath Tagore, Subrahmanya Bharati, Iqbal, Vallathol and many others. He was often heard quoting the words of Alama Iqbal:

Yunan-o-Misr-o-Ruma sab mit gaye jahan se
Ab tak magar hai baqi nam-o-nishan hamara,
Kuchh baat hai ki hasti mit-tee nahin hamaree
Sadiyon raha hai dushman daure-zaman hamara.

Love, tolerance, compassion and justice were very dear to his heart. He ardently believed that justice delayed was justice denied. Thus, in an editorial in the December 1993 issue of *Man & Development*, under the same title, he wrote:

Why should one worry about delays in justice? The answer to the question is rooted in our perception that the stability and durability of any state system and orderly civil society depends on minimizing the extent of alienation of the 'power elite' operating that state and dominating the civil society. The system of administration of justice, the laws of civil society based on equity and good conscience, are all critical elements in fashioning the relationship between citizens and the state. Even the entire domain of production of wealth and its equitable distribution is contingent upon the efficiency of the system of justice and the ethical values of the power elite....

A man who had seen many vicissitudes of life, Mr Haksar was truly a shattered man after the death of his wife, Smt Urmila Haksar, on 29 November 1989. Till then I never found him worrying about anything.

But the loss of his life-partner caused him great pain and loneliness. And that loneliness he was unable to cope with. The only company he otherwise kept with was books. But by then he had almost lost the central vision in his eyes. No amount of reading by someone else would satisfy his desire to keep himself upto date. This too was a constant agony for him, though there were friends and well-wishers who often came to read to him.

Although he had a great desire to write and complete the second and third volumes of his autobiography, Mr Haksar was unable to proceed any further due to various constraints and distractions, and of course the lack of eyesight. There were innumerable friends and admirers who wanted him to complete the remaining two volumes. And, every time he received such a letter enquiring about the progress he had made in writing the remaining parts of the story of his life, he would tell me that we should really get down to it. I then used to prod him saying that it was he who was not ready and that we should make a beginning so that it took some shape and form. He then did complete some chapters. But eventually it remained an unfulfilled desire of Mr Haksar's.

One can write pages after pages on Mr Haksar. But time and space do not permit it. I conclude by reproducing Gurudev Rabindranath Tagore's poem, which truly reflected the dilemmas and perplexities which found expression in Mr Haksar's writings and speeches. It was one of the treasures which he kept framed in his study, as if to remind him of his true identity as a proud son of India. The poem reads:

Where the mind is without fear and the head is held high;
Where knowledge is free;
Where the world has not been broken into fragments by
 narrow domestic walls;
Where words come out from the depth of truth;
Where tireless striving stretches its arms towards perfection;
Where the clear stream of reason has not lost its way in the
 dreary desert sand of dead habit;
Where the mind is led forward by thee into ever widening
 thought and action;
Into that heaven of freedom,
My Father, let my country awake.

I bow my head to this great son of India who truly represented the dream of Gurudev Rabindranath Tagore.

SHRI P N HAKSAR I KNEW

M S Valiathan

I was impressed by Malraux's vivid pen portrait of Shri Haksar in his *Anti Memoirs* but had no occasion to meet him until a few years later. I was then attempting to put life into the Sree Chitra Medical Centre, Trivandrum, which had remained a shell for over two years after its construction. We faced many difficulties in funding, recruitment of faculty and so on which are familiar to those who embark on a new medical project. Our difficulties were compounded by the fact that our Centre sought to confine its clinical services to cardiology and neurology, both highly demanding in equipment, skilled personnel and maintenance expenditure. It was in the course of our struggle to meet these formidable requirements that I came in contact with Shri Haksar for the first time.

A distinguished visitor to our "virtual medical centre" in 1975 was Dr Pinborg who headed a Danish Agency for developmental aid. He was greatly impressed by the plans for the new medical centre and especially its mission of developing a joint culture of medicine and technology. He offered a grant for the purchase of equipment which we badly needed provided a formal request was sent by the State Government to the Government of India before the impending visit of an official delegation from Copenhagen. The State Government lost no time in sending the request which was supported by the Economic Affairs Department of the Ministry of Finance. But the Union Health Ministry whose concurrence was necessary took a strangely negative view. They argued that the equipment sought could not be approved for a newly setup Medical Centre of a State Government when they found it difficult to import a power laundry for a central institution! A month later, Chief Minister Achutha Menon used this episode to illustrate the role of Central bureaucracy in thwarting the implementation of Government policy at the State level. Shri Haksar who was in the Chair sought immediate information and took the Sree Chitra Medical Centre under his protective wing. That very moment, the Medical Centre turned a new page in its history.

When the hospital became ready to open the doors for patients in a record period of 20 months, we invited Shri Haksar to inaugurate the Medical Centre. The inaugural meeting in February, 1976 was chaired by Chief Minister Achutha Menon who referred to the scientific wind of change in Kerala which had set up a series of institutions in economics, medical science, electronics, forestry, etc., under a new State Council of

Science and Technology. Shri Haksar's inaugural speech was scintillating and he spoke as if he was inspired. The beam of his powerful mind lit up whatever he touched — history of science in India, the absence of conflict between science and religion in the Indian tradition, post-independence spurt in the growth of science and so on. His majestic figure, powerful eloquence with flashes of humour and supreme confidence in India stood out in the memory of all those who listened to him on that occasion in Trivandrum. An interesting incident took place the day after the inaugural meeting. A number of high officials, protocol officers and others had gathered at the Trivandrum airport to see off Shri Haksar. As he was being besieged, he beckoned to me and gave me a piece of paper with a friendly wink and the remark "Here is a love letter for you". It turned out to be a letter from a top Marxist leader of the State who cautioned him not to associate with the Sree Chitra Medical Centre which was a "CPI show". So much for petty politics and what he thought of it!

As an institution set up by the Department of Science and Technology, Government of Kerala, the mandate of Sree Chitra Medical Centre went beyond patient services. It had an obligation to develop a joint culture of medicine and technology and ensure that clinical inputs from the hospital fertilized the growth and development of technology. This novel approach to medicine and technology was poorly understood especially by the medical fraternity who feared a "turf war". To create awareness of the new approach, the Medical Centre organized a major symposium soon after the inauguration of the hospital, which was attended by an array of senior physicians and scientists including Professor Chhuttani, Dr Ramanna, Professor Ramaseshan and many others. Shri Haksar inaugurated the symposium and sat through a good part of the sessions. He also gave a masterly concluding address wherein he referred to knowledge for its own sake and knowledge as a tool for the creation of wealth. He dealt with the Indian patent legislation and the likely challenges it could face in the wake of the UNCTAD negotiations which were in progress. He foresaw a good deal of what would happen to our R&D and trade following India's adherence to the World Trade Agreement. He had an extraordinary ability to cut through a mass of details of diverse disciplines and come to the "heart of the matter" quickly.

Back in Delhi, Shri Haksar continued to take interest in the growth of the Institute and made me a welcome visitor to his office. It was during these meetings that I came to know of his student life in the UK, the powerful influence of Panditji on his intellectual development, his

scholarship, his courage of conviction, his love for Sanskrit, the absence of rancour towards his critics and his absolute sense of fairness. One always came away from these meetings with admiration and greatly enhanced confidence in India's destiny.

When Sree Chitra Medical Centre took possession of the Satelmond Palace campus in Trivandrum to develop a Technology Wing, the State Government gave a grant of rupees one crore for the construction of buildings, provided we could obtain a matching grant from the Government of India for the purchase of equipment. Our application was sent to the newly set up Science and Engineering Research Council (SERC) of the DST. As the budget of the SERC did not probably amount to more than what we had sought, our application would have been rejected summarily in the usual practice of the Government. But Dr Arcot Ramachandran was no ordinary Secretary and was unafraid of making unconventional decisions. He appointed a committee of eminent scientists consisting of Valluri, C N R Rao, Bacchawat and Iya to examine our proposal for a grant. The site visit of the committee to the Medical Centre and Satelmond Palace was an exciting experience for us. They were enthusiastic and recommended the grant on the inherent strength of the concept of uniting medicine and technology. A lesser Secretary or a lesser committee would have decided differently on the familiar ground that the idea had no precedent; the approach was untested; the institution belonged to a State with poor resources, etc.

As the SERC had limited funds, our grant needed the clearance of the Planning Commission who had raised objections. On Dr Ramachandran's suggestion, I met Shri Haksar who shared some of the concerns of his officers. The questions related to the basis of the choice of technologies for development, degree of interaction between medicine and engineering, foreign inputs if any and why such joint activities could not be done under the ICMR rather than the Department of Science and Technology. His depth of understanding of the issues which were largely technical surprised me. We had an excellent discussion which was made informal by his usual enquiries about Dr K N Raj and P K Gopalakrishnan who were mutual friends and residents of Trivandrum. Our request, needless to say, received the Commission's approval which was conveyed to Dr Ramachandran on the phone!

He was very happy when the Sree Chitra Medical Centre became an Institute of National Importance by an Act of Parliament in 1980 and even happier that his close friend, Shri G Parthasarathy, became its

President for two eventful terms. I knew that they shared doubts and distress over the pervasive corruption in public life and the criminalization of politics. He greeted me with the remark that he had only “Shruthi and Smrithi” as he had lost his vision. He joked while talking about the vanity of many artists and the contrast with Kalidasa whom he quoted approvingly मन्दो कवियशः प्रार्थी. I met him again for the last time in his residence when he appeared frail and uncharacteristically disturbed over the state of Indian politics. He recognized many missed opportunities and felt that India could have done better in every field. His vision had failed but in his mind's eye, India's place was still among the leading nations of the world. I consider myself privileged to have known him and enjoyed his goodwill and elevating company.

ON P N HAKSAR'S EIGHTIETH BIRTHDAY

Bakul Patel

November 2, 1993

Dear Jagdishbhai,

Thank you for the invitation to participate in eightieth birthday felicitation function for our dear friend P N Haksar. I am happy to accept this honour.

Your suggestion about writing a two page note on the personal relationship with him and on his contribution to various fields is indeed a tall order!

Apart from the fact that assessing the contribution made by Haksar in shaping of the post independent India could fill several volumes, my own sense of inadequacy makes the task quite overwhelming. Besides he himself defies description.

Is he an able administrator and a bureaucrat? Is he a diplomat or a statesman? Is he an economist or a sociologist? Is he a scientist or a philosopher? Is he a scholar or an author? Perhaps he is all of above and much more. During his tenure as Prime Minister Indira Gandhi's Principal Secretary he was often described as a modern-day Chanakya!

To me, he is a friend I turn to, for advice whenever in doubt. He is a rare friend with whom I am able to share common values and concerns. It would not be an exaggeration to say that he is a guru with a fund of knowledge and wisdom and I draw on it always.

I recall when I first met him some 20 years ago. It was a chance encounter when Rajni and I were waiting for an elevator in the lobby of Taj Mahal Hotel in Bombay. The two old friends embraced each other in boisterous and hearty greetings when suddenly Rajni realising my presence turned to me and said, "Meet my friend Parameshwar", and to him he said, "This is Bakul".

I got to know him a little better during his infrequent visits to Bombay subsequently. But it was in the year 1980, during a four days seminar organized by Nehru Centre in Coonoor, that I got a real insight into the phenomenon called Parameshwar Narayan Haksar.

As the convenor of the meeting. I had requested him to preside

This is a contribution by Mrs Bakul Patel to the eightieth birthday felicitation volume on Mr P N Haksar, published by Mr J K Kapur.

over the discussions between the scientists, historians, sociologists, journalists, scholars and others who had gathered together to define the attributes of Scientific Temper, that Pandit Nehru advocated so passionately for building India of his dreams!

As he steered the deliberations of the meeting, I watched in total admiration his keen sense of history and clarity of thought. But what impressed me most was his sensitivity and humane approach as well as his passion for perfection and aesthetics.

What distinguishes Haksar from other scholars is his ability to inspire young minds. At the age of 80, he is totally in tune with the younger generation, understands them and is able to bring out the best in them. This is borne out by the fact that he is one of the most sought after speakers at university convocations and at the academic institutions. Amongst the rest of his other contributions, this in my view is the single most important one.

By his own admission, he likes to be a spectator in the audience, watching the human drama on the stage of the universe. May he continue to inspire the performers for the years to come and be able to have the last laugh!

In Memory Of Haksar Sahib

P C Joshi

P N Haksar was one of the few persons who was widely respected in his life time — respected even when he had retired from the high office held by him under Prime Minister Indira Gandhi. What is more important, he retained the affection of many friends and acquaintances who valued him for what he was as a person and not for the high positions he had occupied and the political influence and patronage that he had commanded. For some of his close relatives and friends, who were attached to him, he was “babu” or “babuji” and for many younger persons like me who were drawn towards him for his rare qualities of head and heart, he was Haksar Sahib. For many of us the bond became stronger as he distanced and detached himself from the power-centres in his last phase, but not from his public engagement.

When Haksar Sahib turned 75 in 1988, I pondered on what would be the best way of conveying my feelings on this occasion. My feelings and regard for him found spontaneous expression in two poems. The first was a short poem, a felicitation offered to him on his birthday — a tribute to one who had learnt to accept without grudge both the sweet and the sour that life offered; and to one who was also tormented by his own “premonitions” for the future of his beloved country and people; and for a rare someone who even at an advanced age with fast-failing vision had summoned up the will to mobilize public spirited social activists and academic specialists from all spheres of life to engage in a fresh search for “India's Renaissance” and for the way out from her present crisis and predicament.

The theme of the second poem is the story of India's re-awakening from colonial bondage; of its engagement in the project of building a united and self-reliant nation and a just society following the attainment of independent nationhood and a nation state. It is also the story of new awareness of the need for a fresh endeavour to complete the unfinished agenda of the Indian Revolution and to realize Gandhi's dream of ending internal oppression and wiping the tears from every eye.

The poems were presented to Haksar Sahib on his seventy-fifth birthday. Haksar Sahib was deeply touched by this gesture. He said that he had not received anything like this before. He also said that in his view these poems were not a tribute to him personally but to the entire generation of radical nationalists to which he belonged.

He was of the opinion that they cannot be published in *Man &*

Development" so long as he was its Editor. I did not try to get them published elsewhere. They have been lying since then among my papers, unpublished and unknown to others. They must also perhaps be lying in Haksar's archives.

Haksar Sahib was emphatic that whenever they are published, they should be published in Hindi original in which they were written as even the most authentic English rendering would capture not their spirit but reproduce only the skeleton of the poems.

I offer these poems as my tributes to the memory of Haksar Sahib whom all of us miss very much, specially at the present initial juncture.

तुम्हें मुबारक

हकसर साहब साल गिरह हो
 तुम्हें मुबारक
 बरस पचहत्तर मीठे तीते
 तुम्हें मुबारक ।
 चिन्तन मनन कर्म रत जीवन
 तुम्हें मुबारक
 स्नेह भरा परिवार तुम्हारा
 तुम्हें मुबारक ।
 नेहरू युग के तुम प्रतीक, लो
 तुम्हें मुबारक
 आँखों देखा भारत का
 इतिहास मुबारक ।
 गाँधी-नेहरू युग के सपने
 तुम्हें मुबारक
 कल के सपने कटु यथार्थ का
 द्वंद मुबारक ।
 राष्ट्र नवोदय की चुनौतियाँ
 तुम्हें मुबारक
 नये पुराने की टकराहट
 तुम्हें मुबारक ।
 तुम से सीखा सुना सबक यह
 तुम्हें मुबारक !
 नव शताब्दी में साल गिरह हो
 तुम्हें मुबारक !!

तुम्हें समर्पण

दुनिया का इतिहास, सुनी
किसने न कहानी
पश्चिम का अभ्युदय, पूर्व की
पतन कहानी ।
भारत हुआ गुलाम, अरे क्या
कर्म का लेखा ?
भारत के माथे पर क्यों
कलंक की रेखा ?
मुट्ठी भर अंग्रेजों ने यह
देश पुरातन
लूटा, रोदाँ हुआ विफल
जब सन सत्तावन ।
लक्ष्मी हारी और ताँतिया,
जफर प्रवासित
दर्दनाक त्रासदी देश की
गौरव कुंठित
लंबी चली गुलामी जब
इतिहास रुक गया
स्वाभिमान क्षत हुआ,
विचित्र अवसाद भर गया ।
पर पलटा इतिहास, समय ने
करवट बदली
उदित पूर्व में हुई प्रातः की
किरण सुनहली ।
लिए राम मोहन का यंत्र
पुनः भारत में
राष्ट्र जागरण के स्वर
गूँज उठे भारत में ।
भाषा, धर्म, विभेद भुलाकर
भारत जागा
जात पात और ऊँच नीच तज
भारत जागा ।
जगे विवेकानंद अंध विश्वास
मिटाने
अकर्मण्य को कर्मयोग का
पाठ पढ़ाने ।

मुख में मंत्र मातरम् बंदे
 लेकर जागा
 लोकमान्य, गाँधी, सुभाष का
 भारत जागा ।
 जागा जवाहर, सरोजनी का
 भारत जागा
 गुरु नारायण, भीमराव का
 भारत जागा ।
 कवि रवीन्द्र, इक्बाल, गुप्त का
 भारत जागा
 शुभमण्य का, प्रेमचंद का
 भारत जागा ।
 सुनी गदर बाबाओं की थी
 अमर कहानी
 सूर्यसेन और भगत सिंह की
 अमर कहानी ।
 पलटा अब इतिहास अरे
 फिर जागा भारत
 यह किसान मजदूरों, भद्रजनों
 का भारत ।
 चंपारन, डौंडी, बारडोली में
 सत्यग्रह
 गाँव गाँव और नगर नगर फैला
 सत्यग्रह ।
 देंगे नहीं लगान टैक्स बोली तब
 जनता
 नहीं विदेशी शिक्षा कपड़ा बोली
 जनता ।
 मंत्र स्वदेशी भाषा वेश विचार
 स्वदेशी
 आया गाँधी युग चलती अब हवा
 स्वदेशी ।
 पूर्णस्वराज घोषणा गूँजी
 रावी तट पर
 युवक जवाहर लाल मंच पर
 रावी तट पर ।
 जन समुद्र ललकार उठा तब एक
 कंठ से

तजो गुलामी गूँज उठी आवाज
 हिंद से ।
 कानपुर, काकोरी और मेरठ के
 बागी
 जलियाँवाला के शहीद चटगाँव के
 बागी ।
 बागी सारा देश हो गया, घर घर
 बागी
 बागी औरत मर्द अरे सैनिक भी
 बागी ।
 पलटा अब इतिहास अरे अब
 भारत जागा
 आजादी के दीवानों का
 भारत जागा
 “ दिल्ली चलो ” गुलामी के अवशेष
 मिटाएँ
 गूँज उठी ‘ जय हिंद ’ घोष से सभी
 दिशाएँ ।
 स्वागत पंद्रह अगस्त राष्ट्र ध्वज है
 फहराया
 लाल किले पर आज मुक्ति ध्वज है
 लहराया ।
 सच है स्वप्न अहिंसा के हो सके
 न पूरे
 राष्ट्र पिता की हत्या रहे आदर्श
 अधूरे ।
 भड़क उठा गृहदाह आग नफरत की
 फैली
 देश विभाजित हुआ रक्त से धरती
 मैली ।
 अस्त हुआ पर सूरज पश्चिम की
 प्रभुत्ता का
 उदय हुआ सूरज पूरब की
 प्रभुत्ता का ।
 भारत है स्वाधीन न वह अब
 उपनिवेश है
 अब न यहाँ सम्राजी प्रभुत्ता का
 प्रवेश है ।

भारत गुट निरपेक्ष शक्ति बन
 उदित हुआ है
 वह पूरब का लोकतंत्र बन
 उदित हुआ है ।
 मैत्री का संदेश शांति का
 अग्रदूत बन
 विश्व बंधुवा के दर्शन का
 अग्रदूत बन ।
 विश्व मंच पर भारत का अवतरण
 मुबारक
 ओ युवजन संतान तुम्हीं स्वतंत्र
 भारत की
 स्मृति भारत की नव जागृति की तुम्हें
 मुबारक !

॥

बीते चार दशक अब राष्ट्र व्यस्क
 हुआ है
 हम क्या थे, क्या हैं, क्या होंगे प्रश्न
 उठा है ।
 सच है अब भारत की गुजरी काल
 निशा है
 उस का अब नूतन भविष्य है नयी
 दिशा है ।
 पर किस पथ के पथिक आज हम
 किधर चले हैं ?
 वही लक्ष्य क्या नव भारत का
 जिधर चले हैं ?
 संविधान कहता है तुम चलो प्रगति के
 पथ पर
 रहो अडिग लेकिन तुम सदा सुमति के
 पथ पर ।
 किस के लिए प्रगति, दे अर्थ
 सुमित का क्या है ?
 सदा सामने भारत के यह
 प्रश्न रहा है ।
 बनो आत्म निर्भर कहता यह
 संविधान है

रहो धर्म निरपेक्ष बताता
 संविधान है ।
 बढ़ो न्याय पथ पर कहता यह
 संविधान है
 तजो अंधविश्वास बताता
 संविधान है ।
 लिये , ज्ञान विज्ञान बताता
 संविधान है
 थमे न मुक्ति संग्राम बताता
 संविधान है ।
 मुक्त कोटिजन जो अभिशप्त रहे
 शोषण से
 मुक्त करो शिशु जो अभिशप्त
 अकाल मरण से ।
 मुक्त सुधा से रोग व्याधि से
 निर्धनता से
 जीवन करो प्रकाशित बहुजन का
 समता से ।
 संविधान में और विधान में
 भेद प्रकट है
 कथनी-करनी बीच भेद अब
 हुआ विकट है ।
 आज बड़ा गंभीर बना मूल्यों का
 संकट
 आज बड़ा गंभीर बना चरित्र का
 संकट ।
 बढ़ो, आधुनिक बनो आज नारा
 बुलंद है
 पुनरुत्थानी बनो आज नारा
 बुलंद है ।
 आज बाबरी मस्जिद लेकर
 वाद उठा है
 आज राम जन्म स्थल को ले
 वाद उठा है ।
 आज चिता पर सतियों के है
 मंदिर बनते
 हिंसा की लपटों में आज दलित जन
 जलते ।

अल्प संख्यकों, नारी जन की
 बड़ी त्रासदी
 कैसे जीतें भय अभाव मे
 बड़ी त्रासदी ।
 शासक भूल गये न्याय समता की
 वाणी
 बहुजन के हित की भाषा
 जानी पहचानी ।
 आँखों के आँसू दुखियों के
 नज़र न आते
 स्वार्थ सिद्धि में शासक आज हुए
 मदमाते ।
 पुरुष प्रधान समाज न आदर
 नारी का है
 कन्या जन्म अरे आज अभिशाप
 बना है ।
 हिंसा के शिकार हो रहे
 हिन्दुस्तानी
 कितने असुरक्षित स्वदेश में
 हिन्दुस्तानी ।
 क्या हम केवल हिन्दू, मुस्लिम, सिक्ख
 ईसाई
 क्या हम केवल जाति धर्म के ही
 अनुयायी ।
 भूल गये हम आज कि हम सब
 हिन्दुस्तानी
 भूल गये ' जय हिन्द ' ध्वजा
 जानी पहचानी ।
 अरे राममोहन का बोलो
 यह देश है ?
 अरे यही क्या गाँधी, नेहरु का
 स्वदेश है ?
 यही कबीर, नानक, मीरा की
 जन्म भूमि है ?
 संत फकीरों की क्या यह ही
 पुण्य भूमि है ?
 ध्वस्त पड़ी है आज विरासत
 गाँधी युग की

कहाँ मान्यता और परम्परा
 नेहरु युग की ।
 घृणा असहिष्णुता बन गया
 धर्म आज है
 सेवा नहीं भोग अरे
 युग धर्म आज है ।
 मृतप्रायः सी आज भावना है
 स्वदेश की
 प्रबल आज मानसिक दासता
 फिर विदेश की ।
 नारकीय हो रहा निम्न जन का
 जीवन है
 सुख सुविधा सम्पन्न भद्रजन का
 जीवन है ।
 सुधा यस्त वे ही जो करें
 अन्न उत्पादन
 अर्द्ध नग्न वही जो करें
 वस्त्र उत्पादन ।
 हैं गृह हीन करें जो वंचित
 पंच सितारे
 हैं निर्धन खुद करें सृजन जो
 वैभव सारे ।
 हैं विकास पर पेय जल वंचित
 कोटि कोटि जन
 हैं विकास पर रहें निरक्षर
 कोटि कोटि जन ।
 यह विकास कैसा श्रम करते
 छोटे बालक
 और रेंगते कीड़ों से ये
 नन्हें बालक ।

III

बीते चार दशक अब भी उद्देश्य
 अधूरे
 बीते चार दशक पर अब भी
 स्वप्न अधूरे ।
 ओ युवजन अधिकारी तुम्हीं
 आज भारत के

यह कल की भूलों का भारत
 तुम्हें समर्पण ।
 तुम्हें पोछना शोषित पीड़ित जन के
 आँसू
 गाँधी के सपनों का भारत
 तुम्हें समर्पण ।
 वादे अभी अपूर्ण तुम्हें
 मीलों चलना है
 नेहरू के सपनों का भारत
 तुम्हें समर्पण ।
 आज़ादी आयी पर न्याय न समता
 आयी
 जन जन की पीड़ा का भारत
 तुम्हें समर्पण ।
 जो आक्रोश क्षोभ को बदले
 सृजन शक्ति में
 जन मन मंथन का नव भारत
 तुम्हें समर्पण
 ओ युवजन फिर बनो मुक्ति के
 अग्रदूत तुम
 नयी लहर का कल का भारत
 तुम्हें समर्पण ।

LECTURE SERIES I
2001

FIVE DECADES OF SCIENTIFIC DEVELOPMENT: MEMORIES OF P N HAKSAR

Raja Ramanna

It gives me so much pleasure to speak at the Centre for Research in Rural and Industrial Development and reminisce on Parameswar Narayan Haksar, who was, without doubt, one of the most distinguished Indians during the second half of the twentieth century. I recall a lecture on atomic power given by me at this Centre, over which Shri Haksar presided, about two decades ago. I must say how grateful I am to Shri Rashpal Malhotra for having invited me then to speak when Haksar was alive, and now again in his memory.

Haksar was not a politician in the usual sense of the word, but had a political sense that made him an important thinker in the field and a person who played an important role in the making of new India. During his stewardship, India's position in the world was nowhere near what it is today, but its very size and integrity had made it impossible to be neglected by the more powerful countries of the world. The position that India acquired, especially during the time of Indira Gandhi, was in no small measure due to her chief advisor, Haksar.

We recapitulate the background in which P N Haksar operated and contributed towards making India a modern country. His early life was greatly influenced by the Sanskritic background of his family who were Kashmiri Brahmins. This base gave him a working knowledge of Sanskrit language and Sanskrit literature.

The atmosphere of Allahabad, with its rich Indo-Gangetic culture as well as the tragic Mughal-cum-colonial poverty, must have made a strong impression on his sensitive mind. Such opposites played an important part in his life. He took a degree in physics from Allahabad University, when its reputation was at its height. His teachers were Prof M N Saha, the great astrophysicist and Dr Amarnath Jha, the distinguished Vice-chancellor. Haksar's connection with physics was only a passing affair, but it gave him the ability to appreciate the importance of modern science. Later, it gave him added strength, in directing the country's development along modern lines. He was obviously a very bright student and had naturally gravitated to the intellectual life of Anand Bhavan of the Nehru family. This is where he must have had his lessons in nationalism, socialism and Marx. He graduated in Law from Allahabad University and joined Sir Tej Bahadur Sapru, the distinguished jurist, and practised at the

Man & Development: December 2001.

famous High Court of the United Provinces. I recall his comment on Sir Tej Bahadur, whom he described as arrogant, self-centred and would not give his younger colleagues a chance to show their worth.

The thirties of the last century found Haksar in Europe, all heated up for the world's great disaster of a world war. The intellectuals at Cambridge, a place that was then considered pre-eminent in all fields of knowledge, had a large group of Marxists and offered politico-philosophical inspiration to the many Indian students in England. It was during this period, that Haksar came to be closely associated with the work of the India League, that was being run in London by Krishna Menon. Krishna Menon became his political guru and the leftist spirit remained with Haksar for the rest of his life. Among the others who had gathered around Krishna Menon were Indira Gandhi and G Parthasarathy. This formidable group of four made the history of India during the seventies of the twentieth century.

When independence came and Krishna Menon was appointed High Commissioner for India to the United Kingdom, Haksar was appointed his deputy. It was during those days that I first met him under some unusual circumstances. A colleague of mine and I, after we had taken our Ph.Ds., had been offered the Atomic Energy scholarship to stay on in London for one more year. At the end of the year we were due to return to Bombay, but it was not clear whether the new Indian Government would pay us the sea fare for our return. The air services were still not available to the public. We had written several letters to Dr Homi Bhabha, the then Chairman of the Atomic Energy Commission. The only letter, dated, 1949, we had received from him in answer to our query, was about the excellent Geiger counters the TIFR was producing in Bombay for their Cosmic Ray experiments and on some matters concerning physics. He was silent about our return fare. It was suggested by some of our friends that we meet Krishna Menon on this matter. We did not know that Krishna disliked Homi Bhabha, as he belonged to a capitalist family and temperamentally they were very far apart. Krishna made some rude remarks about Bhabha and then suggested, we go and see Haksar, as he knew all about government rules. Haksar received us very cordially and asked to see Bhabha's letter. After reading it he exclaimed, 'What! We make Geiger counters in India?' After a discussion on science in India and other topics, it became clear to us that the government could not help us, such was their fear of the finance department. However, we both felt that we had met a man with an understanding of science and a respect for scientists. Though I returned to India in a third class berth using my own money, I always recall the incident as one which made my return to India happy, having made a friendship which was lasting, affectionate and inspiring.

For some years after that, Haksar spent a busy period as a member of the foreign service and I rarely saw him. It was during these years that he built up his reputation as a man of great integrity, with a sharp analytical mind, which could absorb a large amount of data, without being swept away by them. He knew the weaknesses of our governmental systems and its filing methods, by which anybody could be indicted or praised to the skies. He was unhappy about the ignorance-levels of our elected people and took every opportunity to explain things to them in his own room. International politics came naturally to him and he understood the real reason for the unsympathetic view the US took of us at that time. The Cold War was not the only aspect that mattered.

After he became the principal secretary to Smt Indira Gandhi, he took on the role of guiding several ministries and, in this way, kept an eye on all that was happening in the country. He introduced many reforms and had a controlling hand in senior appointments and re-organization of the government machinery, particularly in defence procurement, planning and finance. It was essentially his integrity that made him acceptable to all concerned. It was in his time, that the Bangladesh war was won and the food front reorganized to make maximum use of science, which has indeed led us from being a famine-ridden country to one of food surplus. I recall a statement of his at a time when there was a food shortage, that India has the potential of being a food exporting country.

It is not surprising that Haksar, however well he used the power at his disposal, created many enemies for himself. One of them was Indira's son, Sanjay himself. In retrospect, the complaint that he created the PM's office with far too much power for itself, with the consequent reduction of the power of the other secretaries, became apparent when others took his place. A Haksar with power is not the same as power without Haksar.

Our paths met again when he became our ambassador to Austria. Vienna had been chosen as the headquarters of the International Atomic Energy (IAEA) and in his capacity as ambassador, he had to represent us on its Board. At first Bhabha was suspicious of him, because of his loyalty to Krishna Menon, but within a few months Haksar was made a full member with all powers to explain our position on the Non-Proliferation Treaty and the need for atomic power in India. His position was not easy, because of the tilt of the USA towards Pakistan, and everybody knew of his leftist views, though it was much muted in his professional work. Whenever I went to Vienna for meetings of the IAEA, Haksar and his wife often used to take me round to various places of

interest in Austria and explain to me the many aspects of European politics from the time of the Turkish invasions onwards.

By far the most important interaction I have had with Haksar was on the development of the nuclear device, Pokhran I. We, the scientists, had free access to his room in South Block and in that way access to the Prime Minister was assured. The general impression about Mrs Gandhi was that she was always pleasant to visitors but firm in her decisions. This was not true, for she had her moods and would flare up on occasions and reverse orders she had committed to. An intermediary, such as Haksar, was necessary, more so because the programmes were being carried out in great secrecy and we had to have a powerful witness to tell people later that what we did was indeed within governmental policy. Pokhran I was one such, as much as the enrichment plant was later.

While it was always the plan to keep our nuclear capability in some stage of readiness, the idea of a test was considered taboo. Such phrases as the 'last wire connection', more often used by journalists and other Mr Know-alls, without realizing that, at this stage, it was as good as pressing the button itself, but with added problems of safety. Haksar was able to understand all this, but was more worried about the test site and the timing of the event. While we were thinking of islands, which would have been difficult from an operational point of view, it was Nag Choudhury who solved the problem by offering the army test site at Pokhran, which covered secrecy, security and support. With Haksar's support, the clearance of the site proved to be no problem. He, however, became difficult on the choice of the date for the test. We, the scientists, who were keen to get on with the job and finish it quickly, as we could not be kept in suspended animation for indefinite periods, were not impressed by arguments of economic disasters put forth by P N Dhar. Economics is such a soft subject that intuition plays a greater part than simple logic, but Haksar's objection was more difficult to understand. He was of the view that we should wait for election time, some six months later, to be able to use it to defeat the opposition parties, Mrs Gandhi stopped all further arguments, saying that the tests were necessary for the country and should be carried out without delay. All this is referred to in Raj Chengappa's book in his interview with Haksar before he died.

I mention all this, as I had longed to get Haksar's reaction to all that had happened since 1974, especially on the reactions of some of the western scientists and decision-makers on our latest series of tests carried out in May 1998. I was amazed to read the confused technical statements made by some of these scientists. I presume, they had a case to protect their view that the world was ready for non-proliferation,

inspections. However, some of the reactions of a few Indian scientists surprised me, for I felt that they should have known better. Of course, it is well known, that there are amidst our scientist groups many, who are against nuclear bombs on moral grounds, but that they were willing to twist scientific truths and subvert other Indian scientists on so-called technical grounds, was unexpected. Jealousy seems to have been the prime consideration.

The only way outsiders, at a great distances from the test site, can detect our tests is through seismological activity. In spite of some progress, this method has been found to be reliable only if the velocity of seismic waves is known at all concerned parts of the globe. Unfortunately, such mappings have not been done and small errors of detection can give rise to large errors of blast magnitudes. These lacunae are very important road-blocks to the proper establishment of non-proliferation regimes. It is not surprising that some scientists from interested parties would make untenable statements to show that their methods were reliable. There is only one foolproof way of establishing the correct magnitudes, and that is by studying the radioactivity of the soil at the point of detonation. After Pokhran I, we could not dig the second time, as we did not have the facilities. The group had this capability for Pokhran II and the radioactive results confirm our proximity seismic results that were announced the same day as the tests. A letter, recently published in *Current Science* by the British Armaments Institute, reverts to the magnitude measurement problem without any reference to all the literature on the subject and also taking care not even to mention anything on the published radioisotope data. It may be that this is one of the ways to force us to give more exhaustive data, for radioactive details in principle can give information on the design of the H bomb. The report of these scientists may be part of the new scientific dishonesty coupled to espionage. The deterioration of honesty of scientists on seismic matters is hinted at by the distinguished US seismologist, Evernden, in the journal *Nature*. (Appendices 1 & 2).

I can only picture the rage with which Haksar would have reacted to all this. He, with Nehru, used to propagate the scientific temper as the ultimate to man's character. When I was on a lecture tour of the western states of the US, I was often asked the question, how some Indian scientists themselves had doubted the magnitudes of the Pokhran II tests. My answer was that the scientists concerned were not members of the project and did not know all the details of the measurements including the radioactive debris data. I also pointed out to the US groups that there were many articles on the Internet trying to prove that the US flight to the moon was a fake. Would they believe all that is published on the Internet!

The one time I disagreed with Haksar was at a seminar on the scientific temper: Like saffronization it is a very Indian word. He, together with his leftist friends, took the view that our ancient literature had led us astray. Their favorite bete noire was Adi Shankara or Manu. I disapproved of these attacks because my upbringing was in an Anglo-Indian school, and it used to make my blood boil when India was referred to as a land without any culture. To me Advaita was a better form of agnosticism more suitable for science. I believe that Haksar's view was coloured by Krishna Menon's, which was part of his anti-brahminism. With Manu, I had no contact then. When I did go through the Manu Smriti, there was much that I could reject. However, in the present state of law and order, served to us by the journalists, I believe a woman requires a father, husband and son to look after her at the appropriate stages of her life. Otherwise, who will protect her? The police? A time may come when they can protect themselves, but experiencing life as it is in our larger cities I see that as only a distant possibility. I mentioned all this in a hastily prepared note in a book on Haksar and he wrote back very angrily. After this we lost contact.

His wife Urmila, who used to look after him, though it was the last thing he wanted, had to take over all that he was doing, for he was going blind. We had warned him of chain-smoking and blindness to which he used to reply, 'so what'. Urmila died suddenly and it was only Haksar's great strength of character that allowed him to take interest in all things, even after he had become totally blind. Soon after his wife's death, I phoned him to ask whether I could come and see him. I do not think he recognized who was speaking and he merely said 'not now'. Just before his death, I met him at an army function. When told, it was Raja Ramanna, he put his arms around me and kissed me and asked me to come and see him at his house. I kept postponing seeing him, as I did not realize he was ill. Once on my way to the airport, I actually turned towards his house but my driver said it would be too late to catch my plane. By the time I came back to Delhi again, he was dead.

As long as Indiraji listened to Haksar she moved from victory to victory, be it Bangladesh, Nixon, Z Bhutto, the Non-Aligned Summit or the nuclear test. But she herself asked for disaster by pushing out Haksar from the mainstream and replacing him by her second son, Sanjay. Then followed Bhindranwale, the Golden Temple, Sanjay's death and her own assassination.

When I saw Haksar the last time, before he died, I asked him how he was keeping himself busy. He merely replied, 'memories and memories'.

RELIGION AND STATE IN INDIA AND SEARCH FOR RATIONALITY

Satish Chandra

The purpose of this talk is to explore some aspects of state building in India, with special reference to the problems of secularism, the role of religion in state and nation building, and the question of rationality.

I do not, at this juncture, wish to raise the problem of nation or nationalism. At one stage, western thinkers identified nation with state. The British colonial rulers asserted that since India, unlike Britain or France — the basic points for reference for them — did not have a single religion or a common language, they were not a nation and, as such, did not qualify to exist as a state, i.e., an independent nation-state. This, of course, was combined with the argument of backwardness of the peoples of the region, and the “civilizational mission” of the Whites. These arguments are, no longer put forward but the mentality behind them of the westners not being only different and superior, but historically destined to dominate or rule over the rest of the world, is still reflected in much of the western treatment of the developing world.

The concept of nation and nationalism in relation to the newly independent countries or former colonies has, in recent years, been the subject of much debate in the West. The writings of Ernest Gellnar, Bendit Anderson, Paul Brass, Fukayama and Robert Haas are only a few of these. Many of the western scholars, who were at one time giving lessons of nationalism to the colonial peoples, have now discovered that nationalism is not such a good idea. It is no longer considered to be the logical evolution of all history as propounded earlier, but that ethno-national identities are “contingent and imagined”, and that “there was nothing inevitable about the rise of ethnic identity, and its transformation into nationalism”. Fukayama, while conceding that nationalism was to some respects progressive, considers the quest of national identity to be “essentially a regressive phenomenon”. Some western thinkers go so far as to dub national or ethno-national identity a deviation from individual moral choice into a relapse into a suffocating embrace of communal “embeddedness”, an “escape from freedom”, perhaps even a pathological phenomenon.

It is not necessary for us to enter into this controversy here. Different peoples and societies have sought identity and means of bonding in different ways, nationalism being only one of them, though a

significant one. Before taking leave of the modern debate on nationalism, I would like to underline that for many western thinkers, their basic precepts change sharply when they no longer seem to subserve western interests. One may recall the period before the arrival of the Portuguese, followed by the Dutch and the English in Asian waters. They found in Asia a world where trade was by and large free and global, with only nominal five or 10 per cent duty being levied on imports. Arabs, Indians, Javanese, Malays and Chinese traded freely. The Portuguese, the Dutch and the English used their naval power to break this global free trade, and to establish their trading monopolies in the region. They used political and naval power to try to exclude the native traders from the global trade. When I was studying at Allahabad University while the British ruled over India, their actions were not considered reprehensible. In fact, the Asian rulers were blamed for their inferiority in naval and military matters. Now the same set of people from the West oppose the growth of national economies based on restricted trade opportunities and advocate globalization and liberalization. This has become the great western mantra which will enable all peoples, irrespective of their concrete conditions, to rise to their full stature if they would immediately implement it in full.

Again, I do not want to enter into the debate on globalization. My point is that ideas and concepts which originate in the West or anywhere else should not be accepted uncritically but, like all ideas, be examined carefully, and implemented if found useful, bearing in mind specific, societal and historical traditions and conditions.

We may in this context look at the concept of post-modernism which has become so fashionable in some quarters in the West and is being accepted almost as a gospel by some sections in our country. Central to this debate is the attack on secularism and on the post-Renaissance concept of rationality. Thus, William M McClay from the University of Tennessee speaking at the Wilson Centre pointed out that "These days it is more fashionable to be 'spiritual' than to be secular." It has also been pointed out that the challenge to secularism was being mounted by "an intellectually sophisticated, and increasingly economical conservative religious counter-culture." This involved de-coupling of secularism from modernization since it is argued that a "progressive or modernizing agenda need not be a secularizing one". In fact, in some western academic centres, secularism's claim to universal truth and impersonal rationalism are decried "as a form of cognitive imperialism". This is on par with the neo-Marxist arguments put out earlier by some western scholars underlining the "objectively progressive role" of imperialism in order to attack anti-imperialist national movements.

Moving away from this debate, and looking at our own traditions of the relationship between state and religion and pluralism, I would like to start by pointing out that the discussion about the nature and objective of the state and its relationship with religion and society goes back in India several centuries before the Christian era. However, unlike Islam, religion and the state were not born simultaneously so to say. In India, the two developed separately and also interacted with each other. The celebrated work on state, the *Arthashastra*, ascribed to Kautilya, sets out the objective of the state as "to make acquisitions, to keep them secure, to improve them, and to distribute among the deserved the profits of improvement". Dharma was considered one of the objectives, but given a secondary position. Although Buddhism considered dharma the central objective of state, and gave a higher position to the saint (bhikku) than to the supreme ruler (chakravartin), the brahmanical thinkers merely advised the ruler to combine kingly duties (niti) with morality (dharma). This continued to be the Hindu view through historic times. In a general manner, the ruler was expected to maintain social stability. This was often implied to preserve the existing social order, in particular the four-fold division of the Varna system, and respect of cultural pluralism by allowing people to pursue their own dharma or way of life. Thus, the final message to the king put forward in the Shantiparva of the Mahabharata was "Regard all religious faiths with reverence and ponder their teachings, but do not surrender your own judgement."

This implies that the state was never considered to be theocratic in nature. Nor could the state be considered Hindu (to use a later term) since kingly and religious duties were considered interdependent or distinct so that in some cases the ruler could even override religious injunctions. This, with some differences, was also the Islamic concept as it evolved.

As in the case of India during the early period, during the medieval period there was a lot of discussion in the Islamic world regarding the nature of the state and its relationship with religion. The earlier idea of the combination of spiritual and secular authority in the hands of the Imam had come to an end with the rise of Sultans in the ninth century. The Sultans, wielded only secular authority though efforts were made to raise their status by calling them *zill-allah* or shadow of God. They were duty bound to respect the sharia and honour the clerics, but they were answerable only to God. By this time Islamic society had become feudalized or hierarchical. The Sultan was duty bound to protect the existing unequal social order in the name of stability, as the *Siyasat Nama* of the Buyid, Nizam-ul-Mulk, shows. All that the ruler in such a state could do was to provide some succour and relief to the poor in the

name of justice (*adl*), but they were to be kept out of state power and to be kept in their place by all means possible. Fakhr-i-Mudabbir and Ziauddin Barani, the historian, writing in the thirteenth and fourteenth centuries, echo the words of Nizam-ul-Mulk. Barani says that the “low mean and ignoble” were “plentiful and abundant”. They were not to be allowed a share in state power which would “disturb the high born people and lead the kingdom to decline and fall”. Any failure to put down these elements would lead to a breakdown in which there would be “complete community of women and property”. These ideas were, in substance, echoed by Tulsidas in the sixteenth century, calling upon the powers that be to keep the *neech* which constituted the predominant section in society, under tight control.

According to many contemporary thinkers, a state based on *din*, or faith resting on social justice and morality had been abandoned once the rule of the Four Pious Caliphs (Khilafat-i-Rashidin) had come to an end. Going further, Ustad Ahmad Muhammad Jamal of Egypt maintains that Islam did not evolve any definite form of government. Nor did it lay down details for it. It only lays down some foundational principles of a generalized nature which do not vary with space and time and on which it is possible to build (a state) for the welfare of the people. Interestingly, even some modern Pakistani scholars are of the same view. Thus, Qamaruddin Khan, Professor of Islamic History, Karachi University, in his introduction to Al-Mawardi's Theory of the State is of the opinion that “the Quran does not aim to create a state but to create a society.”

The historian Ziauddin Barani puts forward the concept that the state could only be based on *daulat* or *jahandari* or worldly affairs, not *din* or faith. Akbar's friend and philosopher Abul Fazl put the ruler above all religious considerations, and strongly defended reason, denouncing taqlid or religious concepts based on rigid tradition.

Maulana Azad, whose erudition as an Islamic scholar was accepted even by his opponents, never considered theocracy as an integral part of Islam, nor the rigid form of sharia which is considered by many ulama as the basis of an Islamic state, as the basis of laws of state. He considered *din* to be the essence of religion, and sharia only its outer manifestation which changed with times and the situation. *Din* he considered “devotion to God and righteous living”.

Maulana Azad's words are relevant in a world where forces of religious fundamentalism are rising all around us. It is significant that the deposed Indonesian President, Abdurrahman Wahid, who was himself a spiritual leader or kiyayi, lauded Azad's teachings when he visited India. He had declared: “Islam yes; Islamic state no”.

There has been a considerable debate in India about the nature and meaning of secularism and whether it was a part of our tradition or an importation. Nehru used the word “secularism” in the context first, of struggle against religious obscurantism which justified and sanctified an unjust and regressive social order, and second, in the context of the struggle for rationalism. Discussion has tended to concentrate only on the first aspect, viz., separation of state from religion. Nehru's vision has been objected to on the ground that all organized religions in Asia were maximalists. It was argued that since religion was an integral part of life, divorcing religion, i.e., true religion, from the state robbed it of its cultural ethos. According to T N Madan, secularism “was a stratagem, not a guidance for viable political action or *weltanचाung*”. Others argued that since mythologies and myth had a strong hold on the Asian mind, the secular struggle for rationalism was an impossible dream.

The present government has accepted the concept of “secularism” in words but its biggest partner, the BJP, has robbed it of all its content by putting forward the concept of Hindutva, with their prescribed Hindu code of ethics forming the basis of cultural nationalism. This, in effect, denies the concept of pluralism which implied the emergence of a common national ethos without, however, attempting to erode or abrogate the cultural identities of different groups and religious communities.

Even more serious than their assault on pluralism is the attack on the concept of rationalism and humanism which, though a part of the Indian tradition, came to the forefront in Europe in the post-Renaissance period, and was the basis of creating a separate sphere for science, away from religion. This was gradually extended to the fields of social science and culture. There has been much talk of introducing cultural values in our system of education. If by values is meant ethical values, such values were always an integral part of the school system. If, however, by values we mean religious values, it was always believed that the ethical and moral values propounded by various religions were essentially the same. Hence, there is a legitimate suspicion that in the name of value education, obscurantist ideas — some of them based on myths and mythology — would be promoted. It has not escaped anyone's attention that already a private TV channel is devoted to promoting all kinds of myths and legends in the name of culture.

That there is a definite attempt to undermine the rational humanistic tradition of the universities is made clear by the manner in which astrology and *karma kanda* are being sought to be smuggled into the universities. Natural scientists all over the country have made no

bones that they consider astrology to be a pseudo science, like alchemy. If the government was keen only to promote the scientific study of astrology, as it claims, it could easily promote astrology in the private sector where many institutions devoted to astrology exist. That the entry of astrology into the universities would be the thin end of the wedge to introduce all kinds of pseudo scientific practices was made manifest when I received an invitation from Professor Ram Krishna Sastri, designating himself as Vice-chancellor of the Viswa Jyotish Institute, Kolkata, to a conference where, in addition to astronomy and astrology, palmistry, numerology, vastu shastra, tantra, physiognomy, etc., would also be discussed. It was claimed that the project had the moral support of the government of the country, that many Central and State Ministers, Supreme Court and High Court judges, Chancellors and Vice-chancellors of universities were expected to attend, and that the Prime Minister Shri Atal Bihari Vajpayee, had expressed his willingness to inaugurate the same. This shows how far we have come. That such a galaxy of persons are expected to attend a function which goes in the face of modern science and rationalism shows the atmosphere of pseudo rationalism that has been created. That too, at a time when the Planning Commission and the government keep talking of making India a knowledge superpower based on modern science and technology and the information system. Can the building of a knowledge-based superpower go hand in hand with undermining the rational, humanistic basis of the university system?

Regarding the revival of religion in the West, those who are a part of the movement also state clearly that taboos, superstitions, supernaturalism and irrationality were "vestiges of humanity's childhood" and for them religion is "an indispensable force for the upholding of human dignity and moral order".

Unfortunately, such a distinction in religion between the supernatural and irrational elements and struggle for human dignity and moral order is not being made in our country. That is why Nehru's combination of secularism with struggle against obscurantism and caste-based social destinations is meaningful even today.

Shri P N Haksar was not only a close associate of Nehru, but always lent his support against the forces of irrationalism and obscurantism. In remembering him, we should also pledge ourselves to continue his call for a rational and just social order, based on secularism, pluralism and toleration.

HUMANISM AND THE MEDIEVAL HINDI BHAKTI TRADITION

Savitri Chandra

In 1988, when Shri P N Haksar had organized the seminar "In Search of India's Renaissance", he had asked me to write a note on 'Heritage of the Medieval Hindi Bhakti Saints in North India'. In asking me to present such a paper Haksar Sahib was conscious that in any review of the process of nation building, development process and communication in the context of an Indian renaissance the pre-colonial or medieval tradition had to be taken into account. Also, he considered humanism to be not a western but very much a part of the Indian or Bharatiya tradition.

There has been a lot of debate and discussion in recent years about values, and Hindutva, both of which are sought to be linked to the Vedas. Thus, the fact that India's tradition has been a living one, and that it constantly tried to renew itself by a process of critical thinking and infiltration, i.e., filtering out those concepts and beliefs which were no longer relevant, has been ignored or pushed into the background. It is generally accepted that the period of the rise of Buddhism and the succeeding centuries, were a period during which many of the Vedic values and practices were questioned, and in course of time a new set of values emphasizing ahimsa and toleration towards all sects was emphasized and a new socio-political order also emerged. These values and the social structure were re-examined again during the Gupta period. Not only were many old law books revised and rewritten, the concept of Bhakti being open to all, irrespective of caste, was emphasized. The southern Bhakti Movement, and the concepts put forward by Sankar and Ramanujua were the two high points.

The third such period of re-examining old values and enunciating new concepts, or emphasizing some of the earlier but forgotten aspects began, in my opinion, with the rise of Kabir in the fifteenth century and continued with vigour till the seventeenth century. This, of course, does not mean denying the contribution of the *nath panthis* and the *sidhs* and the *tantriks* during the earlier period.

I am not a historian but have mentioned these phases to emphasize that our tradition was under constant review, especially when it tended to become rigid, or out of touch with the existing reality. Any attempt to go back to the Vedas ignoring all this development would be a travesty of our rich tradition.

Much has been written about the Bhakti Movement and the social and economic background. These are aspects with which I am not concerned here. I am more concerned with the basic thrust and value system of the movement, and its social and cultural role.

While looking at the medieval Bhakti Movement or movement of personal devotion in medieval India, we should be careful not to make a selection of only some of its aspects while ignoring the totality. Thus, the mystic and other inward looking aspects have been highlighted, ignoring or belittling the humanist and societal aspects. Even some forward-looking thinkers have argued that unlike Europe at the time of the Renaissance, no debate took place in India between religion and humanism. I believe that while forms were different, such an argument did take place in India during the medieval period, but that the humanist aspects were pushed into the background by interested elements. This has distorted our understanding of the nature of the Bhakti Movement in all its aspects.

By humanism I mean not only emphasis on the world as it existed in preference to the other or superior world or after life, but stress on elements of toleration and pluralism, and the upholding of a social order based on equity and justice. Enunciation of the concept of toleration between Hindus (including jogis and jains) and Muslims is often traced to Kabir, and its continuation linked to the Rajasthani saint Dadu in the sixteenth century. This means ignoring the work of many sufi saints, from a period before Kabir, especially those who wrote in Hindi, emphasizing the values of toleration and pluralism. Thus, it has been made out as if Kabir and Dadu were exceptions rather than parts of a broad stream. Even traditional thinkers like Tulsi were a part of this tradition of broad toleration.

That a tradition of toleration and living together peacefully by Hindus and Muslims had developed much before the time of Kabir is borne out by the writings of Mulla Daud. Mulla Daud completed his work *Chandayan* in 781 H / 1379 and dedicated it to Juna Khan II, son of Juna Khan who was a convert Tailang brahmin. Both father and son were the wazirs of Firuz Tughlaq. Mulla Daud says that Juna Khan made no difference between Hindus and Muslims — *Hindu Turuk duhu sam rākhai*.

“He treated the Hindus and Turks, i.e., Muslims alike” and that he dispensed justice so equitably that the lion and the cow could drink from the same pond. Mulla Daud not only gives respect to the shivalaya and devalaya, and likens Hanuman to great warriors, he says that he

belonged to Dalmau which was on the bank of the Ganges. Expressing his reverence to the Ganges he says that it washed away everyone's sins — *Pāp dinha sab Gāng bahāi*.

Thus, respect for Hindu traditions and practices was an integral part of sufi thinking even before Kabir. Continuing this tradition Dadu who belonged to the sixteenth century emphasized non-sectarianism or *nipakh*. Advocating rising above sectarian animosities and emphasis on scriptural values, he declared that he was neither a Hindu nor a Muslim, and had no concern with the *shat-darshan* scriptures — *Na hum Hindu hohinge, na hum Musalman, shat darshan mein ham nahin ham rāte rahmān*.

A far-reaching attempt to emphasize common religious values was attempted by Usman who belonged to the seventeenth century. Thus, he equated Quran to Veda-Puran, called the first four Caliphs Pandits, and took note of Hindu propensities by calling Muhammad one who had a portion of divinity, and had virtually descended from Heaven.

Purush ek jinh jag avtārā

By using the world *avtar* for Muhammad he came as near as possible in accepting the Hindu concept of "incarnation". Further, he considered everything on earth being a part of God, thus coming dangerously near to the concept of monism which was denounced by the orthodox sections since it abolished the difference between the creator and the created, and was a philosophical basis for image worship. He emphasizes his acceptance of monism by upholding the Hindu concept of *tat-tvam-asi*. He says:

Tatvamasī puni tatvason, jāi narak sab chhuta

[That (the Reality) art Thou from (the acceptance/realization of) this essence, all sins are washed away.]

Thus, Akbar's concept of *sulh-kul*, and Dara Shikoh's equating of the Vedas with Quran which led to a sentence of death on him by the orthodox theologians were not isolated developments, but a part of a powerful stream of thinking, underlining common Hindu-Muslim concepts. Condemnation and attempts to relegate this stream of thinking to the background by the orthodox sections of the two faiths has been a continuous feature, and has not ceased.

The medieval bhakti saints, both nirguna and saguna, were conscious of social disparities, but sought different ways to deal with them. Kabir denounced social disparities based both on caste, and on family and personal wealth. He contrasted the luxurious life style of the upper classes, both Hindu and Muslim, with the miserable life of the poor,

including peasants and artisans. His upholding of equality “since all human beings were a like and were born in the same way”, was a significant blow against the contemporary concept of a hierarchical society in which only the persons of high families (*uchcha kula*) had claim to power, position and wealth. He thus showed that in a feudal society, only a saint basing himself on people’s support, could act as a tribune of the people.

Kabir's emphasis on societal values, shunning pride, arrogance and avarice, and on *samatâ* or egalitarianism did not, of course, change the social reality. But by placing the true devotee on a higher moral plane it did, to some extent, raise the self-esteem of the depressed sections.

Emphasis on human dignity and equality, and denunciation of privileges based on the basis of family or birth were continued by many of the successors of Kabir, among whom Nanak's name stands out. These attempts formed a part of what Max Weber called “ressentiment” or release of social tensions. This sentiment can be traced in the growth of a number of movements of protest, such as Sikhism, the Satnamis, etc., and which come into conflict with the hierarchical state.

Traditional thinkers, such as Tulsi, could not give up the concept of a hierarchical society based on the *varna* system. Tulsi was, however, compelled to base the concept of hierarchy not on birth, but on intrinsic human qualities. This, again, was only a moral victory, since it did not change the society based on hierarchy.

By the sixteenth century, tension between the state based on hierarchy and the mass Bhakti Movement based on social justice and egalitarianism had reached an acute stage which could lead to conflict or a parting of the ways. Considering the state to be evil, because it was based on injustice and protected the rights and prerogatives of a narrow privileged class, Kabir like many sufi saints of the time advocated keeping aloof from the state. However, he did not adopt the *ashram* philosophy of the ancient *rishis*, or the monastic system of cutting oneself off from the mundane world in spiritual quest. Kabir remained very much a part of society, denouncing cant, superstition and hypocrisy which were supported by the clerical elements of both faiths.

Nanak and Tulsi, may be considered the main seminal figures around whom a new religio-moral order gradually emerged in North India. According to Professor J S Grewal, there were many unique features in Nanak's teachings, including his concept of gurudom. As he says...”in the seventeenth century the followers of Guru Nanak often conceived of his position in terms of sovereignty. In fact all the Gurus are

the 'true kings' before whom temporal authority fades into insignificance." (J S Grewal, *From Guru Nanak to Maharaja Ranjit Singh*, Amritsar, 1982, p.46).

A combination or at least a desire for the coming together of temporal and spiritual authority, are reflected in the works and thinking of Tulsidas also. Tulsī's Ram was not only the object of "selfless devotion" (*ahetuki bhakti*), constant repetition of whose name freed the devotee of "sins" and led him to salvation. Tulsī's Ram was also the upholder of a just social order where equal justice was meted out, and the travails of the weak and the oppressed was attended to. This popular concept of Ram certainly differed from Tulsī's own concept. For Tulsī, Ram was *maryada purushottama* or upholder of propriety which also meant his upholding a reformed *varuna*, system which was based on merit. But it was also hierarchical, because according to him each section performed its own prescribed duties and *did not encroach* on the duties of others. Tulsī called such encroachment as *varna-sankar*. The popular concept of Ram Rajya which was based on equality did not accept the social constraints put upon it by Tulsī. Nor was this the only case where a concept overtook or broke the limits placed upon it by its initiators.

For Tulsī, social order could only be maintained by a just ruler or *su-sahib* endowed by *niti* or polity. The efforts of such a ruler needed to be supported by a true saint endowed with personal, moral and social qualities — knowledge of the essence of the Vedas and the Puranas, control of the senses, temperance, meekness, mercifulness, forgiveness, etc. Among the social qualities of the true saint, the most important was his being active in the service of humanity. He should by his sacrifices overcome the faults of others so that the saint is considered to be the cause of the welfare and happiness (*mangala, muda*) of people of all parts of the country and at all times.

Gandhiji unerringly put his finger on this aspect of Vaishnavism with his refrain — *Vaishnava jana to tene kahiye jo pir parāi jāne re*. So, I will not dwell on this aspect any further, but to emphasize that this was the essence of the humanism of the medieval saints. Neither Nanak nor Tulsī advocated renunciation of the world. Tulsī's *bhakti* was both *parmarthika* and *laukik*. State was necessary because according to him the large majority of the people consisted of those with wicked and evil propensities. By his teachings, the saint also tried to control these propensities. He also trained a band of people, called *sat-jan*, for the purpose. These peoples, who were to be distinguished from the *bhakta* or devotees, were those who not only have conquered the six evils of

lust, anger, arrogance, acquisitiveness, avarice and envy or *kama*, *krodha*, *mada*, *moha*, *lobha*, *matsar*, knew the scriptures, had a sense of discrimination or *vivek* but were, above all, ever willing to help others.

A careful study of Tulsi's *Dohavali* in which he tries to lay down his societal concepts, emphasizing the concept of friendship, which implies help to others, enables us to understand the prevailing values of the time. His concept of a band of noble-minded persons trained by a true saint co-operating with a just ruler, who upheld social justice and toleration, was not restricted by religious considerations. Tulsi himself was a liberal, and his statement that he could beg from anyone or even sleep in a mosque is well known. Tulsi's concept of co-operation between a just ruler and a true saint as described above was a step in the realization in practice of his ideal of the *Ram Rajya*. How and why this could not happen is for historians and social scientists to decide.

I would like to make it clear that I am not postulating medieval bhakti saints as some kind of social revolutionaries, or those intent on social change, Spiritual upliftment was their major concern, and this should not be lost sight of. But they were aware of the social problems of the times and were of the opinion that spiritual upliftment could not be divorced from social welfare. By social welfare was meant social stability, toleration, acceptance of pluralism, and attention to the problems of the poor and the oppressed. Both political and spiritual leaders had to co-operate in the realization of these objectives. This, in my opinion, is the essence of humanism.

Thus, humanism should be considered as an integral part of our tradition as moksha or release from the cycle of birth and re-birth.

ATOMIC BOMBING OF HIROSHIMA AND NAGASAKI: AN ANALYSIS OF THE AMERICAN DECISION

Matin Zuberi

The atomic bombing of Hiroshima and Nagasaki remain perhaps the two most momentous decisions in recorded military history. It is generally assumed that such decisions are the result of careful consideration of options and deliberations about the consequences of decisions taken. What were the other options to bring about surrender of Japan? Were the atomic bombings the best available option? Who took those momentous decisions? Was it President Truman who took the decision? Were his Joint Chiefs of Staff in the decision-making loop? Were the local commanders in the Pacific theatre consulted? What role did the scientists, who fabricated the two bombs with their own hands, play at that crucial moment? Who selected the targets? Who issued the bombing order? Were there two separate orders, one for Hiroshima and another for Nagasaki? Why did the Nagasaki bombing occur so soon after the Hiroshima raid? Was the bombing of Nagasaki a military necessity? These are some of the questions that have agitated nuclear historians for the last few decades. As our country is now a nuclear-weapon power, we should try to analyse the only occasion when the military atom was used in combat.

There were various options to bring about the surrender of Japan, especially after the German capitulation on 8 May 1945. Conventional bombing, naval blockade, invasion of the Japanese islands, and atomic bombing were the four military options. Then there was the "Russian option" exploiting the shock of a Soviet declaration of war against Japan. This was part of the agreed war plans of the Allied Powers. There was also a diplomatic option: modification of terms of surrender.

The toll of incendiary bombing was heavy. About 40 per cent of the urban area of 66 Japanese cities was attacked; and 2.2 billion civilian casualties, including nine million deaths, were inflicted. And 22 million people were rendered homeless. "Shortly", noted the U.S. Air Force's Combined Intelligence Committee, "Japan will become a nation without cities." On the night of 9 March 1945, 334 bombers attacked Tokyo with 2,000 tons of incendiary bombs. It was till then the most destructive conventional air raid in history. Robert Gullian, a French journalist,

observed Japanese "uttering cries of admiration" at the unholy beauty of what they were witnessing. The city "illuminated like a forest of brightly lighted Christmas trees." The bombs, visible in a grandiose spectacle; "descended rather slowly like a cascade of silvery water." They "scattered a kind of flaming dew that skittered along the roofs, setting fire to everything it splashed and spreading a wash of dancing flames everywhere." In the ensuing firestorm, a quarter of the city was destroyed. The crew could smell burning flesh and felt that they were flying in Dante's Inferno. All Tokyo was visible from the air. As the bombers returned, the glow of the fire could be seen for 150 miles. This raid caused more deaths than the number killed in Hiroshima. On 23 May, the bombers dropped 3,646 tons of incendiary bombs on Tokyo. The bombs were dropping for two hours at the average rate of 1,000 bombs per second. Tokyo was then deleted from the list of incendiary targets.

Naval blockade was strangling the Japanese economy besides cutting off far-flung Japanese forces from their supplies. A Japanese study conducted by Admiral Tagaki had concluded as early as March 1944 that Japanese losses of shipping were prohibitive and raw materials could no longer be imported. The services were competing not only for their role in bringing about the surrender but also for the postwar prestige and appropriations. The Navy and the Air Force hoped that naval blockade and strategic bombing respectively would suffice, while the Army considered an invasion necessary for the termination of the war.

The main American anxiety regarding the prospect of an invasion of the Japanese islands centred on the Kwantung Army stationed in Manchuria. It was feared that as American troops landed, this Army would be summoned to reinforce Japanese resistance thereby causing heavy American casualties. Roosevelt succeeded in obtaining Stalin's assurance at the Yalta Conference in February 1945 about a Soviet declaration of war against Japan three months after the German surrender. Stalin repeated this assurance at the Potsdam Conference. He also personally mentioned Japanese peace feelers to Truman. Reassured, Truman wrote in his diary on 18 July, "Japs will fold up before Russia comes in."

Acting Secretary of State Joseph Grew, who had been ambassador to Japan from 1932 until 1941, advocated retention of the Japanese Emperor as a constitutional monarch. With his intimate knowledge of Japanese society, he emphasized the central role of the

Emperor, who could even facilitate an orderly capitulation of all Japanese troops in distant theatres of the Pacific Navy Secretary James Forrestal and a large group of civilian and military officials shared his views. Secretary for War Henry Stimson, a man of tender conscience, alternated between worrying about the consequences of atomic bombing and being excited by the prospect of having what he called the "royal straight flush." Throughout this crucial period he wavered from one position to the other as his capacity to influence declined. At times he shared Crew's anxieties regarding the demand for unconditional surrender.

A crucial meeting at White House on 18 June was convened by Truman to discuss the invasion plan, Operation OLYMPIC, scheduled to begin on 1 November 1945. Chief of Army Staff General George Marshall, Air Force General Arnold, Truman's Chief of Staff Admiral Leahy, Admiral King, Navy Secretary Forrestal, Secretary for War Stimson and Assistant Secretary for War John McCloy attended the meeting. Strangely, neither Acting Secretary of State Joseph Grew nor any other representatives of the State Department was invited. General Marshall strongly supported the need to bring the Red Army into the military equation. "The entry of Russia", he said, "on the already hopeless Japanese may well be the decisive action levering them into capitulation." As the political leaders thought of the bomb not as an entirely new force of destruction but merely a more powerful weapon, one would expect that at this meeting there would be serious consideration of the possible use of the bomb. The fact that the bomb had not yet been tested does not explain why Truman's military advisers did not explore its possible use. This is all the more puzzling because General Marshall later revealed that the original invasion plan called for using nine atomic bombs in three strikes. Nevertheless, the startling fact is that nobody mentioned it until at the end of the meeting when the participants were picking their papers Truman said to McCloy: "You didn't express yourself and nobody gets out of this room without standing up and being counted."

McCloy said *"We ought to have our heads examined if we don't explore some other method"* to bring about the surrender of Japan. He then suggested a political solution and raised the question of giving a warning to the Japanese about the possible use of the bomb. "Well as soon as I mentioned the 'bomb'... even in that select circle it was a sort of a shock", McCloy later revealed. "You didn't mention the bomb out loud...It just wasn't done." A kind of shudder seemed to go through the room in the White House at the first mention of the word. He added that

the United States' moral position would be enhanced if Japan were given a "*specific warning of the bomb*".

A new government headed by Admiral Kantaro Suzuki, a war hero who had seen action in the Sino-Japanese War of 1894-95 and the Russo-Japanese War of 1904-05, had come to power in April 1945. He picked Shigenori Togo, an outspoken proponent of ending the war quickly, as his Foreign Minister. With the German surrender on 8 May 1945 Japan alone faced a most formidable military coalition; its relations with even the Soviet Union, which had not yet declared war against Japan, were deteriorating rapidly. Foreign Minister Togo was pressing Ambassador Naotake Sato in Moscow to request the Soviet Government to use its good offices to obtain modification of allied terms of surrender. All that was needed was an assurance regarding the retention of the emperor. The Togo-Sato messages were quickly decoded because the U.S. Navy cryptographers had broken the Japanese codes. Truman and his advisers were aware of these Japanese peace feelers. Moreover, the Japanese military attache in Switzerland, General Okamoto, and navy commander Fujimura were in contact with American secret agents for months.

Stimson, Forrestal, Grew, and McCloy agreed that a clarification of the terms of surrender should be issued before invasion and with "ample time to permit a national reaction to set in." The draft of the Potsdam Declaration contained an assurance that Japan could have a "constitutional monarchy under the present dynasty." Secretary of State James Byrnes, however, was opposed to sharing the 'secret' of the bomb with the Soviet Union; he was keen to use the bomb "as quickly as possible in order to 'show results'; and he wanted it to be "used without warning."

British Chief of Staff Alan Brooke argued in favour of retention of the emperor at a meeting of the Combined Chiefs of Staff. The American Joint Chiefs of Staff were anxious to utilize the emperor's authority to enforce surrender. General Marshall cautioned against any move to remove the emperor because it could lead to a "last-ditch defence by the Japanese." Stimson also pleaded with Byrnes for an explicit warning about the destructiveness of the bomb and for an assurance regarding constitutional monarchy after the war. Practically every senior American civilian and military adviser, with the exception of Byrnes, as well as Churchill and his top military advisers, urged a negotiated surrender; but the assurance regarding a constitutional monarchy in the draft document was deleted. The Potsdam Declaration of 26 July 1945 merely promised

"a peacefully inclined and responsible government" that was to be "established in accordance with the freely expressed will of the Japanese people." It did not contain any warning about the destructiveness of the new weapon, but called upon Japan to surrender unconditionally or face "prompt and utter destruction."

The Japanese Cabinet decided to publish the Declaration without any comment, pending clarification of Soviet intentions. Prime Minister Suzuki, addressing a press conference on 28 July, said his government had "decided to *mokusatsu* it." This colloquial expression literally meant "to kill with silence", "ignore", or, "treat with silent contempt". Togo later said that *mokusatsu* was a flagrant violation of the cabinet decision to "withhold comment." The Japanese response was taken as more hostile than it actually was; it was dismissed as a contemptuous rejection of the Potsdam Declaration.

II

The Air Force created in September 1944 a special group "consisting of over 1,500 men, code-named "Operation Silver Plate", to start training for the atomic bombing. Scientists gave detailed instructions to the group about the technical aspects of the bomb. An ordnance group was assembled; it included one convicted murderer, three men guilty of man slaughter and several felons who, after escaping from various prisons, had joined the Army under false names as the safest place for them to remain undetected. Their special technical expertise was spotted during a worldwide search of the American armed forces. The criminals were naturally delighted with security arrangements. They were told that, if they did their job well, their dossiers would be given to them along with matchboxes after the war was over. They were dazed and stunned by this turn in fortune's wheel and worked with redoubled energy.

The group was later moved to Havana to get accustomed to flying over long stretches of water. Then it was moved to the island of Tinian in the Pacific for further training. Laboratory facilities for the final assembly of the bomb were also established on the island. In order to accustom the Japanese to the sight of a small group of American planes flying over their country, the group began training flights in clusters of three planes and dropping a single bomb before returning to the base. It was hoped that this practice would enable the planes carrying the bombs to do their job without any Japanese opposition.

The next stage was the establishment of a committee to select

the targets. General Groves, who drove the Manhattan Project at a fast pace, took control of the bombing operation, thereby establishing a nexus between the development of the bomb and its operational control. He had a stake in its early combat use. His style was to take initiatives leaving the onus for rescinding them on his superiors, Stimson and Marshall; both of them were too burdened to spare time. Groves then brazenly decided to circumvent a formal consideration of the atomic strike by the Joint Chiefs of Staff. He discussed the bombing of cities only with Stimson and Marshall; he knew that Admiral Leahy, Truman's Chief of Staff, was opposed to the use of the bomb, making it extremely difficult to obtain the approval of the Joint Chiefs. Groves had by then accumulated enormous power and had in effect usurped a political role by default. He now headed what amounted to a "nuclear strike command" consisting of fifteen aircraft and two atomic bombs. He was determined to use them.

The Target Committee had more scientists on it than military officers. The committee meeting on 11 May narrowed the list to five target cities. Groves especially wanted Kyoto as a target because it was large enough to gain complete knowledge about the effects of the bomb. The Target Committee gave priority to it because its residents were *"more highly intelligent and hence better able to appreciate the significance of the weapon"*! If the highly intelligent people of Kyoto survived from the nuclear blast, the Committee presumably expected them to tell the rest of the world how deadly the bomb was! Stimson did not want his country to "get the reputation of outdoing Hitler in atrocities". He was determined on a comparatively minor issue: despite General Groves' repeated efforts he deleted Kyoto from the list of doomed cities. He told Groves, "This is a question I am settling myself. Marshall is not making that decision." It must be remembered, however, that Stimson was not keen to save the lives of Kyoto's residents but only wanted to save its cultural relics so that the Japanese would not be too embittered to become allies in the postwar world.

The sagacious Chief of Army Staff General Marshall maintained that the use of the bomb had such enormous political consequences that "he looked to the civilians to make the decision in regard to the bomb" and that he did not presume to exercise any direction over it. This was a balanced view of the appropriate relationship between the civilians and the military in the nuclear age. Marshall said the bomb "might first be used against straight military objectives such as a large naval installation." If necessary, it should be used against a number of "large manufacturing areas" after a warning so that people had an opportunity

to flee from the doomed area. He emphasised the moral value of advance warning to Japan: "Every effort should be made to keep our record of warning clear", he said. The United States, he warned, "must offset by such warning methods the opprobrium which might follow from an ill-considered employment of such force." It must, however, be added that Marshall had no military incentive to oppose use of the bomb. For him nuclear weapons and invasion were likely alternatives; and he naturally wanted to avoid invasion.

As the Manhattan Project reached its final stage, there were rumblings of discontent and doubt among some scientists. Stimson appointed an 'Interim Committee' to deliberate and advise him on future developments relating to atomic energy. Scientists like Robert Oppenheimer and his colleagues, who were members of the Scientific Panel attached to the committee, were not familiar with the military operations against Japan. The committee members shared some unstated assumptions that the bomb was a legitimate weapon to be used in war; that the American public would support its use; that it would have a profound impact upon Japanese leaders; and that it would have a salutary effect on post-war relations with the Soviet Union. Moreover, the structure of the committee, its crowded agenda, and its cursory knowledge of the military situation did not allow a detailed discussion of alternative options for the surrender of Japan. The Target Committee controlled by Groves, however, was taking crucial decisions.

The Scientific Panel met at the Los Alamos Laboratory on 15-16 June 1945. It categorically stated, *"We can propose no technical demonstration likely to bring an end to the war; we see no acceptable alternative to direct military use."* The Interim Committee, at its final meeting on 21 June, simply reaffirmed the earlier decision that the weapon be used at the earliest opportunity, and that it be used without warning. Under Secretary Ralph Bard of the Navy Department, increasingly uneasy about the decisions of the Interim Committee, submitted a memorandum on 27 June stating that Japan should be given a "preliminary warning for say two or three days" before the bomb was dropped. This was necessary because of the position of the United States "as a great humanitarian nation." He suggested that emissaries should contact Japanese representatives and warn them about the impending use of the bomb with assurances regarding the future status of the Emperor. Bard was opposed to dropping the bomb without warning. He resigned on 1 July 1945.

Meanwhile, a committee chaired by Nobel laureate James

Franck hurriedly produced a report. Disclaiming any authority to pronounce on problems of high strategy, the Franck Report explained why the scientists were straying beyond their narrow field of specialization. They found themselves "by force of events during the last five years, in the position of a small group of citizens cognizant of a grave danger for the safety of this country as well as for the future of all other nations, of which the rest of mankind is unaware." This was a grave self-indictment indeed, coming as it did from the scientists who had lobbied for the making of the bomb and had tirelessly worked to make it a reality.

The Report maintained that the manner in which the new weapon was used would determine the future course of history. It warned "the race for nuclear armament will be on in earnest not later than the morning after our first demonstration of the existence of nuclear weapons". It suggested a demonstration of the destructiveness of the bomb before representatives of member countries of the United Nations on a desert or a barren island. It might later be used against Japan with the sanction of the United Nations and after an ultimatum to surrender. Members of the committee waited in vain for some reaction; they could "as well have dropped this report into Lake Michigan". Crucial decisions were being taken elsewhere.

Addressed to President Truman, a Scientists' Petition of 17 July 1945 warned that there was no limit to the destructive power that would become available in the course of the development of nuclear weapons. Therefore, "a nation which sets the precedent of using these newly liberated forces of nature for purposes of destruction may have to bear the responsibility of opening the door to an era of destruction on an unimaginable scale". Referring to the danger of the sudden annihilation of cities in the United States and other countries, it stated that the prevention of such a danger was "the solemn responsibility of the United States singled out by virtue of her lead in the field of atomic power". It further added that the material strength that this lead conferred on the United States entailed "the obligation of restraint"; any violation of the obligation would weaken the moral position of the country "in the eyes of the world and in our own eyes". The petition urged Truman to exercise his powers as Commander-in-Chief not to resort to the use of the bomb unless the terms of surrender had been made public in detail and had been categorically rejected by the Japanese Government. Other scientists in the Manhattan Project wondered, after producing the bomb at great cost, how the American government could justify not using it to save American lives. Were American servicemen not entitled to the weapon produced in the American laboratories?

III

A detailed report on the successful first American nuclear test of 16 July 1945, code-named "Trinity" by Robert Oppenheimer, communicated to Truman at Potsdam, described the explosion as "unprecedented, magnificent, beautiful, stupendous and terrifying." It referred to "the strong, sustained, awesome roar which warned of doomsday and made us feel that we puny things were blasphemous to dare tamper with the forces heretofore reserved to the Almighty." Anxieties about the human cost of the projected invasion were now replaced by confidence in the bomb as a weapon of intimidation. *"Neither the President", wrote Byrnes, "nor I were anxious to have them [the Russians] enter the war after we had learned of this successful test"* Stimson agreed with this assessment. "The bomb as a mere probable weapon had seemed a weak reed on which to rely, but the bomb as a colossal reality was very different", he wrote. In a letter to his wife Margaret. Truman confessed: "All of us wanted Russia in the Japanese War. Had we known what the Atomic Bomb would do we we'd have never wanted the Bear in the picture."

Stimson succeeded in persuading Truman at Potsdam to drop Kyoto from the target list. A message was then sent to Washington suggesting the inclusion of Nagasaki. While Kyoto met all the prescribed criteria for atomic bombing, the odd fact is that Nagasaki did not. It was not on the reserved list and had been conventionally bombed. Moreover, the city was long and narrow, divided between two ranges of hills that would have the effect of deflecting the blast wave of the explosion.

Then on 23 July General Groves revised the directive he had prepared as early as May 1945. Eventually dated 25 July, the bombing order, signed by Marshall's deputy, General Thomas Handy, was addressed to General Spaatz, commanding general of the newly created United States Strategic Air Force. It listed Hiroshima, Kokura, Niigata and Nagasaki for visual bombing after 3 August 1945, depending on weather conditions. The plane with the bomb was to be accompanied with another aircraft carrying scientific personnel to record the effects of the explosion. *"Additional bombs"* were to be delivered *"as soon as made ready."* Operational exigencies rather than policy directives were going to determine the course of events.

Thus the bombing of Hiroshima and Nagasaki resulted from a single order. Moreover, it was deliberately worded to allow considerable latitude to the field commander for the exact date, timing of attack, and the choice of targets. There is no evidence that Truman ever saw the

order. Copies of this order were to be personally delivered to the Supreme Commander of Allied Forces General MacArthur and Admiral Nimitz, Commander of the American Fleet in the Pacific; they were thus being informed of the existence of the bomb at the last possible moment. Had bad weather not delayed the bombing of Hiroshima, the Supreme Commander of Allied Forces would have learnt about it on the very day it was dropped. On being the last commander to be briefed, MacArthur laconically observed "This will completely change all our ideas of warfare". Originally it was thought that a verbal order could suffice, but General Spaatz insisted that "if I am going to kill 100,000 people I'm not going to do it on verbal orders. I want a piece of paper". In an extraordinary sequence, instead of being contingent on the Japanese response to the Allied ultimatum issued from Potsdam, the bombing order was issued a day before the warning. It only increased the velocity of the military wheels that had been set moving much earlier. *As far as Groves was concerned, he wrote in his memoirs, Truman's decision "was one of noninterference — basically a decision not to upset the existing plans".*

The exact date for the bombing depended on weather forecasts. Policy makers were planning to drop at least three bombs in August and more in September. The third bomb was to be dropped on Kokura around 20 August. On the morning of 10 August, physicist Robert Bacher was supervising at Los Alamos the transfer of a completed plutonium core to San Francisco and then to Tinian. He saw Oppenheimer running towards him. He had received an urgent call from Washington telling him that Truman had ordered atomic bombing to stop. According to the secret agreement between Roosevelt and Churchill, British consent to the wartime use of the bomb was obligatory. British consent was promptly given.

IV

A Special Bombing Mission, with Col. Paul W Tibbets as its leader, was stationed on the island of Tinian in the Pacific. Laboratory facilities along with scientists from the Los Alamos laboratory for the final assembly of the bombs and for the experiments to be conducted during the fateful missions were also set up. Some of these scientists flew in the accompanying planes that were virtually flying laboratories. Hiroshima was the primary target while Kokura and Nagasaki were secondary and tertiary targets respectively. Tibbets, pilot of the plane that was to drop the bomb on Hiroshima, got his mother's name Enola Gay painted on the

aircraft. Unknown to his companions, he carried a small box containing twelve cyanide capsules that were to be distributed to the crew in case of any crisis during the flight over Japan.

The take-off weight of the plane was 150,000 pounds, including 9,000 pounds of the bomb and 7,000 gallons of fuel. Fearing the possibility of a crash during the takeoff, Captain William Parsons decided to defy explicit orders by not arming the bomb before the takeoff. At 7:30 a.m. on the way to Hiroshima he inserted the explosive charge and the detonator into the bomb. As he was the only man on the flight who knew every detail about the bomb, he arranged for a pistol to be used against him in case of any danger of his being captured by the Japanese. After the bomb was finally ready for use, Tibbets addressed the crew: "We are carrying the world's first atomic bomb." It was inscribed with messages to the Japanese people, some of them obscene. At 8:16:2 a.m. Hiroshima time on 6 August 1945, having travelled a distance of about six miles, the bomb exploded over Dr Shima's clinic. The temperature at the core of the glowing fireball was 50,000 degrees. An ethereal glow illuminated the cockpit of the plane and the crew had "a peep into hell". The plane made three circles around Hiroshima taking photographs and completing experiments while shock waves from the blast were bouncing it higher. The mushroom cloud was visible from the plane for 373 miles on its return flight.

The idea of a second atomic strike originated from a coterie of officers consisting of General Leslie Groves, the domineering officer who pushed the Manhattan Project at a fast pace, and his close aides. It would take two atomic bombs to bring about Japan's surrender, the first to demonstrate its power and the second to convince the Japanese that the United States had a large arsenal. Groves knew that two bombs were being fabricated, based on the supply of enriched uranium from Oak Ridge and plutonium from Hanford; the destructiveness of the two types had to be demonstrated during the war. It was also assumed that the second atomic strike should be launched soon after the first. As early as 24 July, Groves started pressing the scientific team on Tinian to speed up the second bombing. *The civilian leadership never articulated the strategy of two speedy atomic blows; the coterie around Groves simply assumed that it was merely a tactical matter not requiring a political decision.*

"The controlling factor", according to Groves, "was the date by which a sufficient amount of plutonium could be processed and delivered... After that, all that was needed was suitable weather." The

date chosen for the second attack was amazingly decided not in Washington but on the Tinian Island. The destruction of Nagasaki could have been avoided if Washington had retained control over scheduling of bombing raids. Japanese leaders were not given sufficient time to absorb the shock of the Hiroshima disaster; Groves was in a tearing hurry to drop the second bomb. As the forecast was of bad weather, the Nagasaki bombing was brought forward from the tentative schedule of 11 to 9 August. The scientists, dog-tired, warned that the hurried schedule would prevent them from completing their final preparations for the bomb. Groves would not allow anything to delay the second atomic strike; he decided to take the chance.

Remembering their former Berkley colleague, Riyokichi Sagane, who was professor of physics at the University of Tokyo, physicists Luis Alvarez and Robert Serber decided to send him a letter appealing him to inform the Japanese government about the impending nuclear devastation. Two carbon copies of the letter were sealed into envelopes, and taped to the three parachute gauges to be dropped from the second plane as the bomb fell from the first. The message stated: "Within the space of three weeks we have proof-fired one bomb in the American desert, exploded one in Hiroshima, and fired the third this morning". The three physicists from Los Alamos assured Sagane that they deplored "the use to which a beautiful discovery has been put"! They, however, added a warning: " We can assure you that unless Japan surrenders at once this rain of atomic bombs will increase manifold in fury". Japanese rescue workers recovered this letter from the rubble of Nagasaki. Sagane, however, saw the letter only after the Japanese surrender. He later gave it to Alvarez who was later awarded a Nobel Prize.

The bomb was loaded in the aircraft, called Bock's Car, named after its usual commander Frederick Bock, late on 8 August. Major General Charles Sweeney piloted it. The bomb was four and a half feet wide, ten and a half feet long, and weighed five tons. The takeoff, according to senior scientist on Tinian Norman Ramsay, was at 3 a.m., "We all aged ten years until the plane cleared the island", he recalled. Bock's Car was bedeviled by problems all the way to Nagasaki. Its fuel transfer pump was defective and 600 gallons of fuel were uselessly trapped in a reserved tank. This reduced flying time. Despite detection of this problem, it was decided to persist with the flight. The primary target, Kokura, was enveloped in a thick cloud. The plane circled three times over the city waiting for a parting of the cloud allowing visual bombing. Because of the shortage of fuel, the mission could have been aborted

and the plane could have returned to its base. Instead, pilot Major General Sweeney decided to rush to Nagasaki, the secondary target. That city too was covered in a cloud. By then, the fuel was sufficient only for one pass over the city. At the bombing altitude of 37,000 feet and carrying a bomb weighing 10,000 pounds, fuel consumption was rapid, over 1000 gallons per hour. Encountering a thick cloud over Nagasaki as well, it was decided to defy explicit orders for visual bombing. The bomb-bay door had already opened when suddenly there was a large hole in the cloud and the entire city was visible. Thus was the fate of Nagasaki sealed at 11:02 a.m. local time on 9 August.

Visible shock waves reached the aircraft, As a reporter, specially assigned to witness the explosion from the aircraft, wrote: "We watched a giant pillar of purple fire 10,000 feet high, shoot upward like a meteor coming from the earth instead of from outer space... It was a living thing." Even as he watched "a giant mushroom came shooting out of the top to 45,000 feet... seething and boiling in a white fury of creamy foam, a thousand geysers rolled into one. It kept struggling in an elemental fury, like a creation in the act of breaking the bounds that held it down." The gigantic cloud grew even bigger and "seemed to be laughing at its victims down below". A continuous roar and then the silence of death followed the giant thunderclap. As Bock's Car was rushing away from the mushroom cloud, Second Lieutenant Nobukazu Komatsu and his crew were heading right into it. His plane was flying at 10,000 feet, and it passed through the ominous cloud in eight minutes.

Out of the 6,250 gallons of fuel the plane had started with, not counting the trapped fuel, it had just seven gallons of fuel left when it had a bumpy landing about ten feet short of the end of the runway in Okinawa. According to Alvarez, the Nagasaki mission was "as abominably run a raid as any in the history of strategic warfare". He also takes the bit about a hole in the cloud before the bombing "with a grain of salt". because the bomb missed the target by two miles, a reasonable radar error in those days.

It was an astonishing feat of the of the city authorities to restore power supply for the entire city of Nagasaki by the evening of 11 August. The odious job of cremating the thousands of "unknown" dead was assigned to a group of workers; 16 gallons of sake were brought and each worker was allowed a glass of sake both before and after his time in the field. It was hoped that the potent drink would keep them sane.

As the bomb dropped on Hiroshima was a uranium bomb, which had never been tested before, the Hiroshima bombing was actually a

test. When a team of American scientists visited the devastated ruins of the city shortly after the Japanese surrender, Dr. Masao Tsuzuki, a radiobiologist, sarcastically said to Philip Morrison: "I did the experiment some years ago, but it was on rats. But you Americans you are wonderful. You have made the human experiment."

It was a plutonium bomb that was dropped on Nagasaki. A similar device had been tested on 16 July 1945. As one Manhattan scientist wrote, "the Hiroshima bomb was easy; no effort at all, except the separation of uranium 235.. .The plutonium bomb was the challenge and the triumph of Los Alamos". The scientists chosen to assemble it "were considered the lucky ones; others stood by, ready to be called to mount the next weapon". Could it be that the effect of this bomb dropped from an aircraft on a city was also conceived as an experiment?

Soviet Foreign Minister Molotov received Ambassador Sato at 3 p.m. on 8 August and curtly told him that the Soviet Union would be at war with Japan from 9 August. An hour after midnight, Tokyo time, the Red Army crossed the Manchurian frontier in fulfillment of Stalin's promise at Yalta and Potsdam. Since the Manchurian army was Japan's main fighting force in case of invasion, the rapid advance of the Red Army had a devastating effect on the morale of the Japanese leadership. When Suzuki was told that the Manchurian defences were hopelessly inadequate, he muttered, "Then the game is up." Suzuki and Togo had pinned their hopes on Soviet mediation to mitigate the terms of surrender. These hopes were now shattered. A second bomb was dropped on Nagasaki. The Soviet declaration of war was overshadowed by the atomic bombings.

The Japanese Cabinet met on 10 August at 3 a.m. Togo proposed acceptance of the Potsdam Declaration with the understanding that it did not "comprise any demand which prejudices the prerogatives of His Majesty as a Sovereign Ruler". These terms led to frantic consultations in Washington. Stimson and Leahy said the Emperor's help would be needed in obtaining surrender of scattered Japanese troops. It was of vital importance for Stimson to get Japan under American control before the Russians could put in any substantial claim to occupation. Byrnes, however, still feared a backlash. The demand for unconditional surrender was made before the two bombs were dropped and before the Soviet Union was a belligerent. If any conditions were to be accepted, he insisted, he wanted the United States and not Japan to state those conditions. Stalin's armies were racing across Manchuria; there was no time to lose. Truman asked Byrnes to

draft a reply to the Japanese surrender offer. The carefully drafted reply contained the sentence: "From the moment of surrender the authority of the Emperor and the Japanese Government to rule the state shall be subject to the Supreme Commander of the Allied Powers who will take such steps as he deems proper to effectuate the surrender terms." This assurance implied the retention of the emperor. Through deliberate ambiguity Japan's conditional surrender was being accepted; but at the same time the fiction of unconditional surrender could be maintained. Soviet, British and Chinese consent for the draft reply was obtained. The text was transmitted to Tokyo on 11 August. The irony of Byrnes' eventually coming round to accept conditional surrender was not lost on Stimson.

Truman and his advisers waited for three days for a Japanese response. "Never", Byrnes recalled, "have I known time to pass so slowly". The Imperial Conference met in the air-raid shelter of the imperial palace at 10: 30 a.m. on 14 August. The conflicting arguments were repeated once again. Suzuki then apologised to the Emperor for the continuing deadlock. Hirohito then told a hushed audience that he had decided that the American reply was acceptable. He then made an allusion to the humiliating intervention by Russia, Germany and France after the Sino-Japanese War of 1937-45, forcing Japan to disgorge some of the fruits of its victory over China. "The decision I have reached", he said, "is akin to the one forced upon my grandfather, the Emperor Meiji, at the time of the Triple Intervention. As he endured the unendurable, so shall I, and so must you". He ordered an Imperial Rescript to be prepared so that he could address the Japanese people. Brushing a white-gloved hand across his eyes, Emperor Hirohito left the room. All those present "began crying and two ministers collapsed, sobbing uncontrollably on the floor".

Since the surrender occurred shortly after the atomic bombings, a myth developed that the bomb saved American lives. Modification of terms of surrender, guaranteeing the future of the imperial dynasty, would have terminated the war. By offering conditional surrender in their note of 10 August, Japanese leaders were willing to take the risk of additional atomic bombing as well as of last-ditch resistance. As a RAND study concluded, "The atomic bombs, far from being the 'controlling' factor, caused no significant reorientation of attitudes, no manifest change in point of view". The main factor triggering the timing of the offer was the Soviet declaration of war because it dispelled the illusion of Soviet mediation. If the bombs had been dropped but the Soviet intervention had not occurred, Japanese leaders would have still pinned

their hopes on Soviet intentions. The British assessment as well was that "The Russian declaration of war was the decisive factor in bringing Japan to accept the Potsdam declaration". Chief of Staff Admiral Toyada confessed after the war that the Russian attack rather than the atomic bombs hastened the surrender. The Supreme War Council continued to be evenly divided after the disaster of Hiroshima; the same division persisted after the Nagasaki bombing and the Soviet declaration of war. The deadlock continued even within the Cabinet and the Imperial Conference. *The only substantive change was in the American position.*

Admiral Yonai Mitsumasa admitted on 12 August 1945 that the atomic bomb and the Soviet entry into the war were "*in a sense, gifts from the gods*"! They provided a perfect excuse to terminate the war without losing face. Thus after the bombing of Hiroshima and Nagasaki, the United States agreed to the continuation of the imperial dynasty. As Hanson Baldwin, an American writer of military affairs, rightly pointed out, "We demanded unconditional surrender, then dropped the bomb and accepted conditional surrender". The United States was thus "twice guilty".

Many senior military advisers of Truman had varying degrees of reservations regarding the use and effectiveness of the bomb in bringing about the surrender of Japan. Admiral Leahy, who chaired meetings of the Joint Chiefs of Staff, had moral compunctions about the use of the bomb. He wrote after the end of the Second World War that the use of "this barbarous weapon" was of no material assistance to the war effort and "in being the first to use we had adopted the ethical standards common to barbarians in the dark ages". General Arnold of the U.S. Army Air Force was convinced that conventional bombing would be sufficient to bring about the Japanese surrender as Japan had lost control of the air. General McArthur was informed of the very existence of the bomb only five days before the bombings when he was given a copy of the order. He subsequently stated on many occasions that the atomic bombing was completely unnecessary. Commander in Chief of the Pacific Fleet Admiral Chester Nimitz said "the complete impunity with which the Pacific Fleet pounded Japan at pointblank range was the decisive factor" in Japanese efforts to obtain acceptable terms of surrender; "the atomic bomb merely hastened the process already reaching an inevitable conclusion". General Curtis LeMay maintained that the war would have ended within a few weeks; "the atomic bomb had nothing to do with the end of the war". These retrospective conjectures may reflect the normal tendency of officers, engaged in a savage military conflict and fully cognizant of the impending defeat of the enemy, to be

keen to partake of the glory of victory. The atomic bomb tended to minimise the sacrifices their services had made. But General Eisenhower, Supreme Commander of Allied Forces in Europe, had also expressed his misgivings to Stimson during the Potsdam Conference because he believed that Japan was already defeated and that atomic bombing was "completely unnecessary".

British Nobel laureate P M S Blackett first put forward the theory that the atomic bombings were not so much the last gasps of the Second World War as the opening shots of the Cold War. His main argument was that the invasion of the Japanese islands was scheduled to begin on 1 November 1945 and as the German surrender took place on 8 May 1945, the Russian entry into the war against Japan was expected by early August 1945. The rush to drop the two bombs could be explained as an attempt to end the war before Russia entered into it. As for the American argument about the mere coincidence of those events without any preconceived plan, Blackett wondered about this "curious preference to be considered irresponsible, tactless, even brutal, but at all costs not clever". Many American scholars contested this view; but a careful scrutiny of American historical records has now led historians to the conclusion that the bomb was used as a terror weapon in order to shock the Japanese to surrender and the Russians into an appropriately conciliatory mood after the war. Barton Bernstein, the American nuclear historian who has extensively examined archival material, asserts that the bomb was used as "a terror weapon". It was designed to produce "the greatest psychological effect against Japan" and "as a bonus, cow other nations, notably the Soviet Union".

The manner in which the bombs were used contained many elements of nuclear strategy in the subsequent years. It was used as an instrument of nuclear intimidation; it was a weapon of terror as well as an instrument of coercion. The origins of the 'diplomacy of violence' that has characterized the entire nuclear era go back to the first use of the bomb. Even the strategy of "a warning shot" has its origin in August 1945. The bomb had become its own message. It was a warning to other countries that their vital interests could not be safeguarded without nuclear weapons.

There were unprecedented gestures of amity between the United States and Japan after the war. General Curtis LeMay, having directed the incendiary and atomic bombings, was decorated with the First Class Order of the Grand Cordon of the Rising Sun for helping Japan build her Air Force after the war. Minoru Genda, who had

masterminded the raid on Pearl Harbour, was later awarded the American Legion of Merit.

Japan was not just a helpless victim in the last stages of the war. Its record of aggression, its nerve gas attacks on China and bacteriological experiments in Manchuria, the fanatical manner in which its troops behaved in the theatres of war, and its atrocious treatment of Allied prisoners of war had inflamed world public opinion.

On the Hiroshima Cenotaph are inscribed the words: "Please rest in peace, for the error will not be repeated". It is not clear whether the error was the atomic bombing or Japanese militarism.

LECTURE SERIES II
2002

FROM CONFRONTATION TO CONFEDERATION: A FRAMEWORK FOR RESOLUTION OF THE JAMMU AND KASHMIR QUESTION

B G Verghese

I am honoured to be invited to deliver this lecture in memory of a distinguished son of India, Parmeshwar Narayan Haksar, diplomat, statesman, architect of the Simla Agreement, an Indian from Kashmir but truly a citizen of the world. Above all, he was a friend.

Jammu and Kashmir is, with the Israel-Palestine Question, the oldest post-World War-II dispute extant. Yet, the Indus Waters Treaty, another complex India-Pakistan issue was patiently resolved in what remains a triumph of the UN system that has survived several wars. If there is a lesson here, it is that Indo-Pakistan disputes are not intractable. Partition was a sorrowful parting, painfully accepted in the hope that the two newly independent dominions would live in peace and harmony as good neighbours. That was not an unreal vision. It remains to be realized.

The origins of the Kashmir dispute are buried in the recent-distant history of partition. India's unwillingness to discuss the matter over the past 30 years, since Simla, has caused too many at home to forget the basic facts and sequence of events necessary for its proper understanding. In contrast, Pakistan has been voluble and thereby able to set the terms of discourse worldwide, successfully supplanting fact with myth. India has been largely reactive to Pakistan's assertions, greatly to its own disadvantage. The plaintiff has become the defendant in a strange inversion.

However, a window of opportunity has now emerged following international pressure on Pakistan to end cross border terrorism for good and disband the jehadi network of camps, training, funding and support. India is being pressed to talk. But the unspoken premise now is that a fair and inclusive poll, greater internal autonomy and a settlement on the LOC as a soft border offers a viable solution.

India needs to be accommodating. It has a strong legal and moral case *vis-a-vis* Pakistan. This is so despite the human tragedy of recent years, a product of political mismanagement for which we must make amends to our own people. But magnanimity must be rooted in conviction and not seen as the price of guilt.

Contextual understanding of Jammu and Kashmir is provided by its varied mountain geography, history and ethnography. It has enjoyed immemorial civilizational links with India going back to the Mahabharata, Buddhism, Shankaracharya and the sufi-rishi tradition that gave birth to a syncretic Kashmiriyat culture and a tolerant Islam. The Vale was independent and a dependency in turn, overrun by Kushans, Mughals, Afghans and Sikhs before being ceded to the Dogra Gulab Singh, by the British in 1846. Ladakh was conquered by Zorawar Singh in 1842 and the Northern Areas were acquired by the Maharaja in the last decades of the nineteenth century in the by-play of the Great Game.

This thumbnail sketch illustrates the disparate character of Jammu and Kashmir, a political and administrative conglomerate put together in bits and pieces. Jammu, Kashmir, Ladakh, Pakistan Occupied Kashmir and the Northern Areas are distinctive regions. It would therefore be mistaken to think of J&K as a single, homogenous historical, geographical, cultural or ethnic entity.

The tribal invasion of the state marks the beginning of the present saga of J&K. What India had inscribed on the UN agenda was the Kashmir Question. It was subsequently changed to the India-Pakistan Question at the instance of Pakistan for whom its relations with India, not Kashmir, represented the "core issue".

Some salient facts may be recalled.

J&K was "independent" from August to October 1947. Pakistan violated that status.

Embroiled in the cold war, the UN was unable to address the fundamental fact of aggression despite the grudging though nevertheless clear admission that Pakistan's actions were "inconsistent with international law". For the West, Pakistan was a frontline ally in containing communism.

J&K was the subject of mediation by UN Representatives and others for two decades, to no avail.

The Cease Fire Line was delimited and demarcated up to grid reference NJ 9842 and formally certified as running "thence north to the glaciers". This was incorporated in the Karachi Agreement of 27 July 1949, sponsored by the UN and signed by all three parties. In 1972, post-Simla, this militarily designated cease fire line was deliberately converted into a political Line of Control.

Around 1967, the US Defence Mapping Agency gratuitously changed what was probably an Air Defence Information Zone (ADIZ) civil aviation air control marking in this sector into a dotted line purporting

to depict a northeast extension of the LOC from the region of NJ 9842 to the Karakoram Pass. Most international atlases now follow this alignment. This in effect portrays India in illegal occupation of a 250 sq km salient and legitimizes Pakistan's fraudulent claims on Siachen.

Siachen basically lies on the Indian side of the extended LOC beyond NJ 9842. In 1984, India moved to preempt Pakistan's occupation of the glacier and positioned itself along its western wall, the Saltoro ridge, which now marks the Actual Ground Position Line or AGPL in this sector.

The LOC, whether by accident or design, marks a broad ethno-cultural divide. Its conversion into an international boundary with suitable adjustments would therefore have a strong rationale.

Last but not least, the loss of POK across the CFL, the abdication of the Maharaja, the establishment of popular rule and the abolition of large estates entailed an internal transfer of power, as it were, from Jammu to Kashmir.

Certain other highlights may be noted. Sheikh Abdullah's restoration in 1975, the Indira-Sheikh Agreement that followed and the totally fair and free polls conducted in 1977, and even in 1983, constituted a new beginning. However, Farooq Abdullah's ouster in 1984 and the rigging of the 1987 polls betrayed the hopes of a new generation. Anger and disgust gave birth to a revolutionary upsurge inspired by the fall of the Berlin Wall, the collapse of communism, and liberation movements elsewhere. Pakistan seized the opportunity to step up cross-border terrorism through a proxy war. Human rights violations inevitably followed. The result was alienation and grief.

The Afghanistan eruption in 1980 caused Pakistan again to become a frontline state. The ensuing years saw the US shut its eyes to Islamabad's violation of the non-proliferation regime, diversion of small arms to J&K, exploitation of narcotics to fund clandestine networks and operations, and the rise of fundamentalism. The Taliban grew under the tutelage of Pakistan, with Zia's Islamisation ripening into jihad, making the country a focal point of international terrorism.

Nineteen hundred ninety eight saw the covert nuclearization of South Asia. Vajpayee's Lahore initiative was derailed by Kargil. The world at last saw through Pakistan's duplicity and insisted that it respect the LOC. A military coup just then brought General Musharraf to power.

A defining moment was 11 September 2001. Musharraf had little choice but to commit Pakistan to Operation Enduring Freedom and the alliance against international terrorism. He has since walked a tightrope

with the promise of curbing the jihadis yet unable to abandon support for the so-called "freedom struggle" in Kashmir. India took the path of coercive diplomacy after Parliament House was attacked in December 2001. This compelled the West to take more serious notice of its concerns for fear of an Indian military response leading to nuclear escalation.

This capsuled history is not intended to dwell on the past or indulge in recrimination. Pakistan and India obviously have different perceptions of what happened and why. Pakistan cites Indian "perfidy" over Junagadh and Hyderabad. These comparisons are invalid. However, little purpose is served by getting mired in a circular argument. Far better to seek a solution.

Any reconciliation and peace process with regard to J&K must address three critical concerns and do this concurrently, not sequentially. First, India must undertake an internal dialogue and healing process. Key elements in this package will be an accord on autonomy for J&K, an amnesty for those not charged with heinous crimes, good governance, the safe return of the Pandits, and effective implementation of a meaningful development and employment programme. Autonomy, or devolution as the BJP would prefer, is central. Nomenclature does not matter, substance does.

The Kashmiri view has always been that after long subjugation they must shake off alien rule, which in the last phase meant Dogra supremacy. "Quit Kashmir" for Kashmiris was what "Quit India" symbolized on a larger canvas. For the National Conference, therefore, it was essential that freedom precede accession. Sheikh Abdullah, the State's foremost leader, rebuffed Jinnah's overtures. But accession to India was involuntarily forced by the Pakistan-sponsored tribal invasion.

Thirteen years of civil strife and cross-border proxy war has taken countless lives and brought misery, fear and uncertainty in its train. However, the Indian State cannot be defeated and will not walk away. On the other hand, fatigue and disenchantment with Pakistan have been reinforced by international recognition, especially after Kargil, that the UN Resolutions are dead and practical solutions that exclude secession or independence merit support. India likewise knows that pacification is not peace and that it has to find a political solution.

The people of J&K must be enabled to secure self-determination or azadi within India. That space must be created. Autonomy and the abrogation of Article 370 are not polar opposites. Integration with India is governed by Article 1 and Schedule 1, which defines the Indian Union, as

well as by corresponding sections of the J&K Constitution. Article 370 is merely a mechanism for regulating Centre-State relations with regard to J&K.

Trifurcation, as advocated by sections of the BJP and the RSS, cannot be a counter to autonomy. It comes dangerously close to a latter-day endorsement of the two-nation theory.

Secondly, there is need to negotiate regional autonomy for the three main constituent units of J&K. It is necessary to end the sense of economic and political discrimination that Jammu and Ladakh feel in relation to the Valley. Further particularities within these three regions had led the J&K Regional Autonomy Committee to suggest the creation of eight new regions in the State. This may not be acceptable. The alternative (suggested by the Committee itself) would be district autonomy.

Thirdly, there must be genuine talks with Pakistan to resolve the Kashmir question. However, to the extent that India is able to secure an internal settlement, Pakistan will lose its leverage in J&K.

The issue of autonomy has been ill defined on all sides. There have been noisy exchanges between Delhi and Srinagar with various dates being bandied about: 1953 (the Sheikh's ouster) and 1975 (the Indira-Sheikh Agreement). Few seem to know what these dates signify. Fewer still have tried to cut through the tangled undergrowth around the changing constitutional nexus between J&K and the Union over the past 50 years. Some answers lie concealed in the J&K Constitution, which again few have cared to examine.

Suffice it to outline the main stages of constitutional change. The Instrument of Accession was a standard document applicable to all the erstwhile princely states. Its signature by the Maharaja of Jammu and Kashmir on 26 October 1947 transferred responsibility for defence, foreign affairs and communications to the Union. Anything beyond this required the concurrence of the State government.

The Union List in the Seventh Schedule contains 97 entries. Of these, 37 are covered by the three heads of Accession. "Defence" covers 12 entries including armed forces, cantonments and defence industries; "foreign affairs" embrace 16 entries such as citizenship, treaties and passports; and "communications" encompass nine entries relating to ports, railways, airways, broadcasting, P&T, etc.

The Sarkaria Commission on Centre-State relations, however, opined that certain incidental and ancillary powers inhere in any federal government. These include currency and banking (six entries) and

matters vital to the functioning of the Union such as Parliament, the offices of the President and Vice-President, the UPSC, central audit, pensions, etc. (15 entries). It went on to list 12 other entries with a "national dimension" such as inter-state commerce, migration, census, insurance, weights and measures, standards, patents, the Survey of India and other Surveys (botanical, geological, archeological), etc. Finally, the Sarkaria Commission detailed certain taxes and excises and other matters (13 entries) that require uniform principles and are best centrally administered with their proceeds being transferred to the States on the basis of tax sharing formulae or through the Finance Commission.

The Instrument of Accession was constitutionally effectuated by the 1950 Presidential Order. This made 37 entries of List I applicable to J&K but excluded the State and Concurrent Lists, leaving all residuary powers with the State.

The J&K constituent assembly was elected in 1951 and went on to adopt certain basic objectives which were incorporated in the Delhi Agreement signed on 24 July 1952. This stipulated that while all J&K residents were Indian citizens, state subjects would enjoy special rights and privileges within J&K. The State would have its own flag alongside the national flag. The Sadr-i-Riyasat would be elected by the State legislature, but would be a person acceptable to the Centre and be appointed by the President. The Supreme Court was to have only appellate powers in view of the existence of a State Board of Judicial Advisers. The Centre's emergency powers were limited to defence against external aggression under Article 352 with a proviso that in regard to internal disturbances its promulgation would be "at the request or with the concurrence of the State government". The Fundamental Rights and Directive Principles chapters of the Constitution were to be inapplicable for the moment but many elements of these were later incorporated in the State Constitution.

The Sheikh was dismissed on 8 August but the Delhi Agreement was ratified by Parliament and the State Assembly before the end of the month. "Going back to 1953" therefore implies accepting everything up to this point. This goes beyond the bare Instrument of Accession and Farooq Abdullah has said that the National Conference for one is prepared to renegotiate other issues.

With the adoption by the J&K constituent assembly of its drafting committee's report, a Presidential Order of 1954 incorporated certain matters therein in the Indian Constitution. This made applicable the Preamble (or governing philosophy of the Indian Union) and fundamental rights, subject to such "reasonable restrictions" that the

State legislature might apply. Interestingly, the J&K fundamental rights are more advanced than those contained in the Indian Constitution in respect of education and women and children. Furthermore, empowering the state to abolish large landed estates without compensation enabled Kashmir to implement what has indubitably been the country's most successful land reform programme.

The customs barrier between J&K and the rest of India was lifted in May 1954 and the Centre's powers were extended to the Union and Concurrent Lists with certain modifications. The permit system for Indian citizens visiting J&K was removed in 1959.

The J&K Constitution took effect from 26 January 1957. Thereafter relations with the Union were steadily strengthened. The jurisdictions of the Supreme Court, the Comptroller and Auditor General and the Election Commission were extended and a state cadre of IAS and IPS officers was created. Financially, J&K was declared a special category state eligible for Union assistance in the form of grant and loan in the ratio of 70:30 but, later, 90:10.

In 1964, a Presidential order extended the Emergency Articles 356 and 357 to J&K and a year later the nomenclatures Sadr-i-Riyasat and Wazir-e-Azam were changed to Governor and Chief Minister. In 1985 the Union arrogated to itself residuary powers under Article 248 and Entry 97 of the Union List. The following year, Article 249 was made applicable to J&K whereunder the Rajya Sabha could by a two-thirds majority resolve that Parliament may in the national interest make laws listed in the State List.

The 1975 Indira-Abdullah Accord among other things restored residuary powers to the State and reaffirmed Article 370.

The major issues in contention for Kashmiris principally relate to the Emergency provisions, the role and powers of the Governor, the Central services, the jurisdiction of the Election Commission, Supreme Court and CAG, and restoration to the State of all Concurrent powers. The State is financially dependent on the Centre and would obviously not wish to lose its support in matters of investment and tourism. Emotional and psychological factors lie behind the demands for repatriation of powers to the State. Once a dialogue gets under way, not all of these are likely to be pressed. The extent of autonomy is ultimately a matter of trust. Nothing will be lost if J&K comes to enjoy greater autonomy within the Union.

Some may ask why J&K should be treated differently from any other state. The fact is that it is different. Article 370, the existence of a state constitution, Pakistani occupation of a third of the state, the UN

factor and the ongoing insurgency make J&K a special case. In 1984, the Supreme Court in *Khazan Chand vs J&K* observed that the State "holds a special position in the constitutional set-up of our country".

Moreover, the Constitution celebrates India's diversity. Articles 371 and 371-A to I contain special provisions for Maharashtra and Gujarat, Nagaland, Assam, Manipur, Andhra, Sikkim, Mizoram, Arunachal and Goa. Article 290 A has special provisions pertaining to Kerala and Tamilnadu. The Fifth and Sixth Schedules prescribe a special dispensation for tribal areas. Similarly, the Constitution provides for reservations for Scheduled Castes and Scheduled Tribes. Sikkim has a category of "state subjects" and minorities enjoy certain protection. Himachal, like J&K, regulates purchase of land by outsiders. None of this has caused India to fall apart. On the contrary, respect for diversity and accommodation is what holds India together.

Autonomy for J&K must prudently be accompanied by devolution of regional autonomy to its regions so that traditional rivalries stemming from divergent socio-cultural and geo-political interests are harmonized. The Glancy Commission (1931), the Gajendragadkar Commission (1967) and the Sikri Commission (1980) were set up to look into regional disparities. The problem persists. It has taken the form of agitation in certain quarters in Jammu for separate statehood or abrogation of Article 370, and a demand for Union Territory status in Ladakh. The Darbar (government) moves to Srinagar in summer and to Jammu during winter.

A Ladakh Autonomous Hill Development Council was legislated in 1985. A Leh Autonomous HDC was soon established but Kargil declined to follow suit. New sub-regional identities have come to the fore and various demands have been made by and partly conceded to Gujjars, Paharis and Pandits and Ladakhis for special protection and preference in terms of language, development and grant of tribal status.

One way of balancing these diverse regional interests would be to structure different levels of integration and devolution within the ambit of the Constitution. An upgraded and democratically empowered panchayati raj regime could take care of all sub-regional identities and interests. It should be possible thereafter to provide that contiguous districts may come together if they so desire for certain approved purposes of regional development. The powers devolved to the regions could be calibrated to be more "integrative" or "autonomous" in terms of Centre-State relations. Article 258 empowers the President to "entrust" to a state government, whether conditionally or unconditionally, functions in relation to any matter to which the executive power of the

Union extends, the additional costs involved being defrayed by the Union. Conversely, under Article 258A, the Governor of a state may, with the Centre's consent, "entrust" to it, conditionally or unconditionally, functions in relation to any matter to which the exclusive power of the state extends. Such arrangements could be suitably entrenched and would provide flexibility in fine tuning Centre-State and intra-State-Centre relationships in order to meet the exigencies of varying circumstances.

The Sarkaria Commission saw in Articles 258 and 258A a mechanism that could be sensitively used to enhance co-operative federalism. Creative use of these Articles could also be made to deconstruct and reconstruct Centre-State and infra-state relations in J&K. The Northeast has been a unique political laboratory in experimenting with many gradations of regional autonomy in respect of different areas and communities. This has been done both on a territorial and a non-territorial basis. The Karbi-Auglong model of autonomous councils in Assam is the most advanced in the country. The entrustment principle is operational on the ground and has lessons for J&K.

Before moving on to talks with Pakistan, it would be useful to look at the situation in Pakistan Occupied Kashmir (POK), the so-called "Azad" Jammu & Kashmir (AKJ), and the Northern Areas (NA). Both are under the occupation of Pakistan but are separate entities, each having a different relationship with Islamabad.

AJK, with its capital in Muzaffarabad, is ethnically predominantly Punjabi-Pathan. Pakistan "approved" its latest interim constitution in 1974 which prescribes that no person or political party shall propagate or participate in activities "prejudicial or detrimental to the ideology of the State's accession to Pakistan". Freedom of speech is likewise subject to reasonable restrictions in the interests of "friendly relations with Pakistan". The oath for official functionaries enjoins "loyalty to the country and the cause of accession of the state of J&K to Pakistan". In the most recent AJK elections many opposition candidates were disqualified as they objected to the oath. POK is in truth an *atut ang* (integral part) of Pakistan.

Final authority vests in an AJK Council, located in Islamabad and chaired by the Prime Minister of Pakistan. The Federal Minister for Kashmir Affairs and the Northern Areas (KANa) is all powerful. The chief justice, chief election commissioner and auditor general are appointed on the advice of the Council. The width and depth of autonomy enjoyed by the J&K Government in India even today is far greater than that of the AJK administration.

The Northern Areas embrace 11 old established principalities and feudatories of the Maharaja including Gilgit, Hunza, Nagir, Yasin, Koh, Ghizer, Ishkoman and the Skardu region of western Baltistan. These were virtually annexed from AJK by Pakistan in 1947. Nor are they constitutionally part of Pakistan. They enjoy few civil or political rights and have no access to any higher judicial authority. This has aroused open discontent both in the NA and AJK and has been the subject of litigation through the nineteen-nineties.

Pakistan has an identity problem because the Muslim League's needlessly narrow self-definition of the new state was posited on being "the Muslim other" to what it conceived of as "Hindu India". Its governing elite and other Mohajir migrated to Karachi leaving behind almost as many Muslims in India as there were in West Pakistan. They simultaneously distanced themselves from "Indian" history, heritage and culture, with little other than religion to take their place. Hence the claim to J&K as a contiguous princely domain with a Muslim majority and its description as Pakistan's "jugular vein" and "lifeline" whose reclamation remains the "unfinished business of Partition". Kashmir was made the core and symbol of nationhood as the country found itself increasingly unable to fashion a constitution and a coherent national polity, with Bengali identity proving stronger than Islamic nationalism in the eastern wing. Many found a patriotic rallying cry and cementing bond in Kashmir, not least the Army, which was soon on its way to becoming an autonomous and, now, the dominant power in the country.

Pakistan's efforts to annex J&K from 1947 onwards through overt and covert operations have been firmly rebuffed. Though Indian political mismanagement provided it openings that it was quick to exploit at various times, it has overplayed its hand. It assiduously developed a nuclear weapons capability to offset India's superiority in conventional arms and, by its own admission, thrice resorted to nuclear blackmail of this country well before South Asia went overtly nuclear in 1998. Kargil and the new wave of jihadi attacks were postulated on the basis of bleeding India and then crying nuclear wolf on the dangers of escalation if India retaliated. The 11 September Al-Qaeda attack on the US and the exposure of the ISI's close links with the Taliban created a new international awareness of Pakistan's complicity in terror and nuclear brinkmanship. Yet it remains a frontline state and ally for the United States of America's continuing engagement with the Al-Qaeda.

These developments have nevertheless created a window of opportunity for India in J&K. There is growing disenchantment with Pakistan's self-serving violence through foreign mercenaries at the cost

of innocent Kashmiri lives and a yearning for peace. As stated earlier, India has to dialogue and settle with its own people in J&K on autonomy, good governance and doing what it takes to build trust and respect in place of alienation. This process can run parallel with a dialogue with Musharraf, particularly after the forthcoming elections in J&K and Pakistan. The fact that some members of the late Abdul Ghani Lone's Peoples Conference are contesting the J&K poll signifies new stirrings. Pakistan is being challenged.

In Pakistan itself, the amendments to the constitution announced by Musharraf ensures the military a formal, even dominant, place in governance through the national security council and enhanced presidential powers. Nevertheless, the election — howsoever flawed — of a civilian government with a prime minister at its head will mark the incipient restoration of civil authority within some kind of democratic framework, howsoever restrictive it may be at the outset. Musharraf too is riding a tiger and seeks legitimacy. It would be in India's interest to support liberal democratic elements in Pakistan and provide the General with an exit. Dialogue could serve both purposes.

Musharraf has said that he is prepared to be flexible and look at unconventional solutions. Any settlement must give Pakistan something without disabling India while providing comfort to the Kashmiri people at the same time. The term "Kashmiri people" must obviously mean all the people of J&K on both sides of the LOC and not merely some of them. The basic agenda was agreed upon in Lahore and talks should proceed without preconditions. At stake is not the fact of a "dispute" over J&K but the nature of the dispute. Perceptions vary. There would be little purpose in rehearsing history. A clear recognition of ground realities would be more to the point.

The first and foremost reality is that war and violence will solve nothing. India must talk to Pakistan not because virtue and logic are on its side but because it is there. Our own follies have ensured Pakistan a larger presence in J&K than would have been the case otherwise. It simply cannot be wished away. Likewise, Pakistan must realize that it is approaching end game in Kashmir and needs to move away from the brink to save itself. World opinion has changed and will not permit alteration of the LOC by force or nuclear brinkmanship. A plebiscite has long ceased to be a viable option. Neither India nor the world is prepared to countenance another partition in South Asia along real or imagined religious fault lines.

A bold and generous Indian offer of further autonomy to and regional autonomy within J&K, together with a package of political and

economic reforms as outlined, would assuredly capture the imagination of the people. It would rob Pakistan of its dwindling leverage and, indeed, build pressure on it to match this in AJK and the NA. Self-determination and azadi for all of the people of J&K, Pandits included, can and must be found within the framework of India and Pakistan respectively. It is not going to happen outside these established sovereignties. History is not easily unscrambled, especially when it has been written in blood.

A critical element of an unfolding settlement would be the conversion of the LOC into an international border. This should be a soft, porous border that admits of relatively easy passage of people and commerce and other interactions between the two sides. Few seem to have understood the significance of one of the pre-Agra confidence building measures announced by India, namely, an expression of willingness to open the traditional Jammu-Sialkot, Uri-Muzaffarabad and possibly even the Kargil-Skardu routes for cross-border traffic. Simple travel documents and baggage and currency regulations could be devised and progressively developed. Family visits, tourism, pilgrimage, trade, investment, joint ventures and institutions, and a variety of cultural and people to people exchanges can be envisaged.

Oversight of such protocols would require the establishment of appropriate mechanisms and related infrastructure. Agreement would be necessary for border management, crime prevention, trade and transport facilitation and communication links. There would be common environmental, health and other concerns calling for co-ordinated action. The Indus Treaty was drawn up essentially as a water sharing arrangement. It did not devote much attention to optimal development of the potential of the Indus system in terms of water storage and energy. This could be the basis for negotiating an Indus-II for the collaborative development of the basin to mutual benefit. Such a programme is likely to attract international investments to make J&K the playground of Asia.

All these developments would incrementally create a cross-border architecture of institutions that could gradually mesh to form overarching structures and fora. Mutual adjustments along the LOC would serve to rationalize the border in the interests of administrative convenience and on ecological and security considerations. A demilitarized border could be the first step towards designating zones of peace and, in time, agreement on joint defence.

The Siachen dispute can quite easily be settled by reaffirmation of the extension of the LOC from NJ 9842 due north to wherever it meets the international boundary followed by mutual troop withdrawals. The

entire glaciated region from the Karakoram Pass to K2 and even further west, and even the Skaksgam Valley and part of Aksaichin (if the Chinese so agree), could be declared a World Heritage Karakoram Glacier and Nature Park with UNEP and IUCN support.

The Indo-Pakistan dialogue has to go beyond J&K. Nuclear risk reduction and a nuclear restraint regime must rank high on the agenda. There is every reason for co-operation in building an Iran-Pakistan-India and Turkmenistan-Afghanistan-Pakistan-India gas pipeline. Afghanistan and Iran, like Myanmar, could in due course become members of a revived SAARC.

What this in effect means is that J&K could in stages be demilitarized and transformed from a zone of conflict into a zone of peace. Together with AJK it could acquire the attributes and symbols of some kind of sub-regional condominium or confederation, without derogating from Indian and Pakistan sovereignty over these respective territories. Far from dividing them, Kashmir could become the fulcrum of a new Indo-Pakistan relationship. Pakistan would gain legal title to AJK and NA and each side would come to have a shared stake in the security and welfare of the other half now closed to it. The people of J&K would be prime beneficiaries, enjoying the best of all worlds. The critic may deride what may be seen as wishful thinking. Yet, Nehru in 1964 and L K Advani more recently have both spoken of confederation as a possible solution. It would be open to Bangladesh to walk the same road.

An Indian Prime Minister, referring to the future of J&K, said some years ago that "short of independence, the sky is the limit". On the other hand, once the ghosts of Partition are laid to rest, Pakistan will rediscover itself and be able to reclaim its heritage without fear of diluting its distinctive identity.

An Indo-Pakistan rapprochement would make SAARC a dynamic engine of regional co-operation and growth in South Asia. The SAARC Vision prepared by an Eminent Persons Group in 1997 envisaged SAFTA leading on to a South Asian Community by 2020. This is no idle dream.

Whichever way it happens, there has to be an end to confrontation. Complex questions are sometimes best resolved by placing them in a wider context of time and space. So if we envision an ideal future in and for South Asia, we can then work backwards to determine what should or can be done, when and how in order to reach the chosen destination.

NATIONAL SECURITY: THE CONTEMPORARY CONTEXT

Admiral Vishnu Bhagwat

National Security is no longer defined in unidimensional terms as a military endeavor. It now embraces a framework which is multidimensional, stretching from the security of citizens, across the spectrum to energy security and the security of financial systems. We shall briefly dwell on this.

The National Security Policy Document of the United States, published by the White House in December 99, comprises some 50,000 words but the word 'Military' is mentioned only about five to six times. This speaks for itself.

Just seven years ago, when A P J Abdul Kalam was spending an evening in our house, my wife put to him the proposition that while he had led his team to engineer ballistic missiles to put the fright into nations across our borders, had he produced systems which would protect and defend ordinary citizens in the street and in their villages. Dr Kalam was dumbstruck and remained silent, lost in thought.

This trend of thinking was once again reflected in a report rendered by one of my officers, deputed for a course of study at the US East-West Centre at Honolulu where a group was diligently at work on a study entitled, '*Conflicts over food and water*' in South Asia. It is such papers that form essential inputs into national security scenario building and contingency planning, in the United States. Take the case study of imposition of sanctions pertaining to export of chemicals and equipment required for water purification plants for Iraq. The US has been responsible for nearly a million children dead according to UNICEF, but it does not demur. Inter-state disputes over the sharing of river waters on the one hand, and the recently foisted agenda of public-private partnerships and privatization of water by the World Bank-Transnationals, is an extension of such studies. The call for review of the Indus Waters Treaty, the unending discussions with Nepal on joint control of anti-flood schemes in Nepal and the outstanding issues of water and water transportation carry the potential for future conflict. Conflicts over water are nowadays a daily feature in our media; between states, in the villages between the haves and have-nots and in the urban areas where a single tap with few hours of water supply is the cause of violence. At the same time the new craze of 'privatization' is being extended to water resources. Lengths of rivers, dams, water bodies and

city water supply systems, in 40 cities, have already been handed over to private interests. If the objective is to build a cohesive society in which we participate in common endeavor *to create security for all*, this policy is fundamentally disruptive of the security of our people.

The 'Food' weapon has been a part of the western arsenal for decades. It was articulated in the 'public domain' by Henry Kissinger during the Nixon Presidency. Diverse tactics have been used; be it the seduction of countries like Nigeria, Mali, Malawi or the efforts on in India to switch from food-crops to cash-crops (despite the steadily falling prices of cash-crops), rendering them vulnerable to food shortages and consequently accepting dumping of imported GM food-grains, to impoverish people, deprive them of their meagre livelihoods, cause the ruination of agricultural economies and destabilize these countries.

Nutrition security relates to the health and development of the child in particular and if as the saying goes 'a chain is as strong as its weakest link' then we are hardly embarked on the path of becoming a 'developed' nation, or strengthening the foundations of national security in which the people's stake and participation is the central concern.

While the edible oil technology mission and Dr. Kurien's white revolution contributed to national security in a big way, the post-reforms years are demolishing these great achievements. The progressive dismantling of the PDS, PSM, the FCI and plans to privatize them and active encouragement to creation of monopoly of the traders is placing the majority of our people to the hands of profiteers, hoarders, and black marketeers who have little respect or regard for human life. We should be building on edible oil banks, grain banks and seed banks supplemented by a Food for Work programme to renew land, water, forest, fisheries, live stock assets instead, which will all contribute to people's security, economic security and building a cohesive society.

In a deteriorating social, economic and political environment where lawless groups seem to be increasingly beyond the reach of law; in fact many a time they tacitly work in collusion with the police and effectively subvert the criminal-justice system. Be it the underworld or the mafias, the safety and security of the citizen, his home, family, neighbourhood, village, street and city are increasingly under siege. Armies secure the borders based on the premise that their rear areas are strong and secure.

The security of energy supplies is vital for an energy deficient country, like ours. The bulk of our energy fuels are imported across the seas and whether it is power-generation, national transportation network, industry, agriculture or the home-fires, they are all import dependent.

The financial and currency system is increasingly subject to the new predator — international, speculative finance capital, the big currency traders (George Soros et al) who wrecked the Southeast Asian economies only five years ago, and are in an invisible league with the new parasitical local class which exports money, Rupees for Dollars. Fortunately while countries across the globe have been raided we have been partially saved because we have resisted *full currency convertibility*. Money laundering whether through "Hawala" channels or "private banking" facilitates illegal outflows of money in our system. The 53 collection centres, in as many countries, are called "offshore corporate bodies" or OCBs.

An important dimension of contemporary security concern is the threat to a country's sovereignty from what Prof. Chussodovsky calls "Economic Terrorism" arising from "restructuring and stabilization" programmes, which have just the opposite effect, forced down by the IMF and World Bank-IFC, on behalf of the NATO and G-7. They act on behalf of the US and other TNCs. The national security establishment in India appears to be or rather pretends to be wholly innocent of this.

One of the most tragic victims of this economic terrorism is former Yugoslavia, though the cases of former USSR, East Europe, and down the line of Latin America, African and some Asian countries are also similar. The global and national mass media have concealed more than they have revealed: The forcible, stage by stage, break up of Yugoslavia is a consequence of the SAP imposed on Yugoslavia by its western creditors, the London and Paris clubs, following the IMF loan taken by Yugoslavia. This led to the brutal impoverishment and unemployment of its once prosperous people. This programme deliberately imposed, created and fostered, ethnic hatred and cleansing, pursuant to the objectives of National Security Decision Directive (NSSD 133), titled: *US Policy towards Yugoslavia*, a censored version of which was later declassified, and which envisaged the breakup of the Balkans and its integration into the "free-market" economy for the benefit of the TNCs, western banks and financial institutions. Some of us have been publicly warning of this process having been initiated for India, but it falls on deaf ears.

It is necessary to refer to some of these acts of economic terrorism as this has implications for our security and integrity.

1. Runaway import liberalization which devastated the Yugoslav industry.
2. The Central Government, in view of the pressure on debt servicing, was directed by the IMF and World Bank, on

behalf of creditor nations, to suspend payments due to the federated republics and regions which fuelled the process of balkanization and secession as resentment mounted in the various regions and created a de-facto secession by Croatia and Slovenia in June 1991, egged on by Nato.

3. Massive privatization of all socially owned or State sector enterprises and sale to western purchasers was insisted on at nominal book value, as part of the restructuring programme.
4. Supporting legislation drawn by western financial consultants and lawyers to safeguard the "rights of foreign creditors" was hastily introduced, and unrestricted entry to foreigners permitted not only in industry, but in banking, insurance and service sectors.
5. The entire nationalized banking sector was dismantled.
6. Practically one-half of the workforce or more was laid off due to privatization.
7. Ethnic strife and ethnic cleansing with the strategic objective of the breakup of Yugoslavia was actively supported by funding and supporting violent secessionist groups by western Intelligence agencies, training and hiring mercenaries. Bosnia was turned into a base by hiring of "Arab/ Afghan" fighters trained in the killing fields of Afghanistan and the Kosovo Liberation Army, and its Al Qaeda arm, financed through drug trafficking, white slave traffic, and supplied with arms unlimited.
8. The November 1995 Dayton Accord, initiated by the US and EU installed a full fledged colonial administration (a la Andhra Pradesh) in Bosnia, with expatriates. Article VII of the Dayton Accord stipulates that the first Governor of the Bosnian Central Bank will be appointed by the IMF and will not be a citizen of Bosnia or Herzegovina.
9. The entire inflated so called peace-keeping expenses are to be paid for by the now autonomous republics and the debt has been proportionately divided between them. Oil exploration has begun in Bosnia by the American Oil Company, AMOCO.

10. The territorial division under the Dayton Accord of 1995 sanctions the partition, on ethnic lines, for which the nine heavily armed brigades, termed "peace-keepers" who are to ensure the ethnic division of Yugoslavia have been deployed.

In sum economic security or the lack of it, as emphasized even in the US President's National Security Document of December 1999, is the central issue of our times.

No longer are armies, navies or air forces going to march, sail or fly under foreign flags to invade countries as big as India, though military coercion and blackmailing will remain on the horizon. Nuclear and conventional forces stalemate generally prevents shooting war especially as superpower surveillance, monitoring, diplomatic intervention is real time.

At the same time the global criminal economy runs a parallel government and police, nurtured by a parallel or black money economy. The big players are mafias or criminal gangs, businessmen, politicians, police-customs-excite-tax officials and bureaucrats in key positions at various points in the decision making apparatus. While countries in Latin America and the declining Soviet State 1987-1993, are the more talked about examples, documented in the report of the "Anti-mafia Commission" to the Italian Parliament, to the United Nations General Assembly, 20 March 1990, India is no longer an exception. Terrorist outfits have established well-oiled narcotics and gun-running networks in almost all states of India. There can be no terrorist activity without money-laundering, be it through Hawala or the more sophisticated foreign banks "private banking" operations connected to OCBs. The standard operating procedure for local mafias connected to the international criminal and corruption network is well illustrated in Italy and by the Kosovo Liberation Army, and the countries in and around "the Golden Triangle". Penetration or subversion of the police, para-military forces (including the army), judicial and political systems has changed Latin American politics. Drug lords or drug kings are confident of their relative control over judges, police and the penal system in their own countries. The process of deposits of \$ 9,999 is known as 'smurfing' (sic), to evade the \$10,000 reporting system. The question for us remains whether we are repeating the dramatic errors of Gorbachev, of first disorganizing the Soviet system without replacing it, and the Yeltsin regime in pushing privatization with the mafia as intermediaries, without social and institutional control, creating the conditions for the take over by the global criminal economy of what was one of the largest and

naturally wealthiest countries in the world. As Marshal Akhromeyev and the seniormost officers of the armed forces of the former Soviet Union, wrote in their letter to Gorbachev and members of the Parliament — Hitler could not achieve with all his military mass, what Gorbachev was doing to break up the Soviet economy and polity.

Unchecked/ unpunished, economic offences, black money economy, money laundering, usually seduce the political class to build a mutually beneficial relationship with business interests, and, since profit and greed are the only surviving value system of society, the state and its democratic institutions erode and decay, through subversion.

The new threats to countries like India are analysed and discussed in the Lugano Report. For the twenty-first century capitalist order, democracy is but an interregnum. The post-Bretton Woods, post-Uruguay Round negotiations and the birth of the WTO, on the advice of the TNCs, is rapidly intervening in establishing a western dominated global economy, international trade, food trade using food as a weapon; TRIPS, seeks to put in place globalization (a new world empire of finance capital). Liberalization (which Joseph Stiglitz, Nobel Prize winner, former economic advisor to President Clinton calls 'Briberization') and privatization is nothing but transferring publicly owned wealth and assets into the hands of one's private friends. The WTO is aggressively pursuing a global economic agenda, which includes government contracts, competition policy, labour policy and a legal framework to be made applicable to all countries, except the US where domestic laws supersede any international obligation. The WTO is staffed by non-elected officials who are approved by the IMF and the MNCs. The MNCs are credited with owning wealth and assets of trillions of dollars. Unfortunately they and their subsidiaries employ only 28 million people around the world. Who will worry about the 15 million Indian citizens who are being rendered unemployed and the 15 million new entrants to the workforce every year? Excluded from this statement of facts of the Indian reality are the 741 million village folk who are steadily being impoverished both due to internal neglect and the coming GM/ seeds/ agri-exports from the rich countries. If this in sum does not lead to a disastrous assault on the already low levels of economic security which our country is in, what else will?

Steadily increasing expenditure on the armed forces, para-military forces and the police which is now approaching Rs. 1,50,000 crore annually is hardly protective of India's security. The slogan given by late Prime Minister Lal Bahadur Shastri in 1965 of "Jai Jawan-Jai Kisan" had a deeper message which appears to have got lost. Ninety per cent of

our soldiers come from the villages and are, therefore, closely related to their villages, where they will return to on completion of colour service. When they see the growing poverty, impoverishment, unemployment and destitution in the villages they are bound to think and reason why? The spending on the armed forces, paramilitary and the police cannot be at the cost of the 70 crores of people who live in the villages. Geo-economics in the contemporary world overshadows geo-politics.

Briefly, the Lugano Report emphasizes a steadily increasing surrender of economic decision making by the nation-state, which amounts to surrender of sovereignty. Politics and political processes, including the much discussed issue of "governance" cannot operate in a vacuum. While some elements of law and order, jails, judiciary will remain out of control of WTO and the new world, banks, currency, financial institutions, industry and even intelligence agencies are increasingly going out of the control of the elected governments. The Lugano Report rightly states, "any political order requires a military enforcement mechanism. The Pentagon with the National Security Agency and an enlarged NATO seem destined to play such a role. It is envisaged that it will maintain trustworthy, second-tier, military establishments in certain client states in the culturally diverse non-western civilizational areas." The Report further goes on to suggest that Information Technologies will be paramount in the construction and consolidation of a renovated world order. Elites are already linked through dedicated networks and these links will necessarily be reinforced as the need for global political consultations and management becomes even more apparent. Information technology will enhance surveillance, infiltration and disruption of any nascent opposition." Budgets and fiscal deficits, investments and trade-policies are out of the ambit of the central government. As this is happening the political class and those in power at the Centre and in the States are increasingly resorting, directly or indirectly, to divisive politics based on religion, caste, perceptions of real or imaginary historical grievances which are being encouraged by identity and hate politics. In this concept, ideally, individuals everywhere should identify with an ethnic, linguistic, racial or religious sub-group to the detriment of self-definition as a national of any country or professional caste of that nation, much less as "part of the human race". The notion of "citizenship" at any level is to be actively discouraged. These narrowly defined groups have general access to communications media with group-specific outlets, established and financed wherever they do not occur spontaneously. All fundamentalists, Christians, Jews, Hindus, Muslims and supremacists with all their newspapers, magazines, radio, TV, websites, are all pre-occupied with

their “rights”, including the right to a separate state. The goal is to reinforce fragmentation, to underscore differences with others and erect ghettos, whether they have any basis in fact or tradition. Contrary to received opinion most identities, particularly the so called ethnic ones, have shallow historical roots and are more often than not of recent construction. Identities are very much like gods: even if they do not exist, they are extremely powerful — so much so that people will kill in their name. This has very grave consequences for the integrity of the country as our secular fabric is a real guarantor of peace and development and the essence of our national security.

The conventional concept of national security is at the crossroads. The ideas enunciated by Shri Jaswant Singh, earlier the foreign minister and briefly the defence minister of the country, shared by the present ruling dispensation, in his book *Defending India* recommend an alliance with the US. There cannot be an alliance between two parties which are unequal. That would be a surrender of India's independence and its subscription to the new empire which Tony Blair's chief foreign policy advisor, Robert Cooper, has written in a recent paper published in London, by the Foreign Policy Centre, set up by Tony Blair, of which he remains the patron. Robert Cooper calls for a “new imperialism” to reorder the post 11 September world. The call for a “defensive imperialism”, with western countries, particularly Britain and the EU, intervening abroad to restore order, comes in a pamphlet with a foreword by Mr Blair himself. Mr Cooper argues for a “post-modern”, apartheid like duality of laws and systems to deal with “ourselves and the pre-modern world” and adds that the West will have to employ “double standards”. In May, the British Foreign Secretary declared that “the UK is not a superpower, but we have continuously shown that we play a pivotal role. We can make a big difference. Our challenge is to stave off the Afghanistan of the future.” In this country we know the role played by the UK in Kashmir and elsewhere, presently perhaps subdued in the interests of the Hawk AJT deal.

We were following a policy of ambivalence in regard to our nuclear weapon status prior to May 98. There has been, after Pokhran-2 a succession of confused and damaging posturing. Instead of gaining self-confidence, reducing our military conventional forces budget and building up the nuclear command and control system, we went into a state of nervousness, one half years of humiliating talks between Jaswant Singh and Strobe Talbot, publicly stating at the level of the PM that India will sign the CTBT (fortunately the voting out of the CTBT in the US Senate and Congress saved us). Followed a nuclear doctrine which subscribes to a “no first strike” policy, without having in place a credible

second strike capability. This is doctrine and strategy at its worst so far as defending India is concerned.

The substantive threat to a nation also emanates from wherever the technology level is higher. It is difficult to appreciate how the current dispensation has been encouraging people in the media, academia and the intelligentsia to think that the US and India are "natural allies". This is just a product of wishful thinking. There are indications that this position is being reappraised in New Delhi in recent weeks. There can be no genuine shared relationship or goals between nations so unequal and having disparate, vital national interests, be it the market, energy resources or the geographical assets that will help attainment of national goals.

We have tried, in the last five years to plead with the US to declare Pakistan a "Terrorist" State. This has not happened, nor is likely to happen. If China is perceived as the main enemy by our government, the US has a different strategy in place to subvert the Chinese political system, in much the same manner as they did in the USSR. Kashmir remains disputed territory for the US, as in 1948, and they would like to see the Kashmir Valley detached, as in the KSG, "an independent entity without an international personality". The US is a major partner in Pakistan and their own regime is in place in Afghanistan, whereas our natural frontiers lie in the Hindukush. Beyond in Central Asia and the Caspian oil region, it has military bases and pre-positioned facilities that have elbowed out the successor state Russia and any real hopes that China dreamt of. In the subcontinent, in Sri Lanka the Norwegians work the US game plan, in Bangladesh it partners Saudi Arabia to hold decision making in its hands.

In Nepal the old India - Nepal relationship is now subservient to US dictates and it has overt military presence at crucial levels.

At one stage the present government in Delhi, under its own illusions, dreamt of and put all its political effort to forge an Anti- Islamic Coalition with the US. The US is for "Energy and oil" and not any religious crusade. Islamic countries are distributed in a varied mosaic, most of them drawn by the US and its old Anglo-Saxon cousin, the UK. Only Iraq, Iran and the Palestinians remain apart for the present. Until the oil and gas lasts and the petro/euro dollars flow into their banks, any anti-Islam noises are just atmospherics. The Islamic regimes will have the direct support of the US as hitherto and the nationalists in Delhi need to do their sums again. In other words this is not a favourable scenario for India where the US is strongly ensconced all around us.

We have witnessed in the last few years a series of self-deluding

moves by ourselves on the chessboard first the Structural Adjustment Programme which binds us internally and is destroying the vast network of public sector financial/ industrial institutions. Then, since 1998 a series of self annihilating manoeuvres; the KSG; moratoriums after Pokhran2 two years of one sided bargaining on CTBT; Lahore, Kargil and internationalization of Kashmir; intrusive and endless visits and briefings with US and Israeli intelligence teams, permitted to operate freely in Delhi and J&K; formalized presence and activity of the FBI and the US Drug Enforcement Agency; overseeing and advice from US intelligence people to our military and civil intelligence agencies and the building of too close a relationship between individuals and institutions; the Sangh Parivar support to "Trifurcation of J&K" on communal grounds, destabilizing the state and subverting the entire basis of the J&K accession to secular India; the constant flow of officials to J&K to meet the Hurriyat an US supported outfit; and the latest charade of demarcating territory for US experts to install, operate, train and maintain the latest ground-sensors fad,(a thin end of the wedge if you like), tried and rejected earlier by the BSF, and with a miserable track record on the US-Mexican border where, even after intensive aerial and ground surveillance and sensors, drugs and human trafficking continues, since these were put in place more than 15 years ago, as seen first hand and in the official briefings. Look at the ocean scenario. Navies do not patrol Malacca Straits, in peace time, as part of anti-piracy patrols; that is the job of the Coast Guard. We are working with the US Navy and laying bare our "electronic order of battle" much as Iraq did, with fatal consequences in the nineteen-eighties.

Instant welcome to an 'NMD' announcement by the President in a University Campus, setting aside the entire staff system on the MEA, MODCOSC, PMO, NSAB, CCS, without any discussion, debate is symptomatic of erosion of self-confidence; offers of Avantipur Adampur and Bhuj Nallaya military airfield; the US disdainfully turning down the offer and choosing its old and trusted ally, Pakistan, demonstrates a psychology of dependency to the people. It appears foreign and defence ministry appreciations, were naive in ignoring that both the US and Pakistani establishments had together nurtured the Taliban and had a deep relationship with it.

We should be steadily and persistently at work in the economic and political spheres to extend the concept of India's strategic frontiers along the Indian Ocean Rim, in the West and the East. This would secure a Defence in Depth. We are hemmed into our borders and cannot think and articulate anything else except cross border terrorism and Pakistan, which suits everybody in the international community — a nation of over

1000 million busily preoccupied in defending a border and its courtyard. As recently as 1996 our military presence was sought in the Gulf and the African, near east regions but we dithered awaiting a green signal from Big Brother which never came.

Divisive, denominational, identity politics weakens our country and when it does as much as in Gujarat our ability to defend India weakens in direct proportion. The accession of J&K, it is worth iteration, was predicated on a secular India. When India's secular fabric is under assault the country's unity and integrity is weakened. We then have to ask ourselves whether we are wittingly or unwittingly driving ourselves towards the Yugoslavia/ Bosnia and former Soviet Union/ EE scenario. Rapidly increasing defence budgets and resource allocations are an inadequate response to answer such a developing situation, anywhere in the world. And when an erstwhile super power humbled itself, by choosing a suicidal path of surrender, what chance do big, bloated armed forces have?

The 'natural allies' syndrome earlier had led us to signing a contract with an unregistered US company to implement a project as sensitive as the "Sankhya Vahini" or defacto handing over our national telecom network, our central nervous system to that company's total control. At the drop of a hat, Mumbai and Delhi Police and 64 intelligence officers are off to Tel-a-viv and Langley to learn anti-terrorist operations and this is symptomatic of the new wave, whether relevant or irrelevant to our scenario.

We have given up almost entirely on our earlier strategy of self-reliance in defence — be it software, humanware or hardware. Instead of quickly setting up a Command and Control system, post-Pokhran, conducting the minimum, necessary tests to establish a credible, missile delivery system and production, with the essential support systems, we went into a nervous freeze. We have recently undertaken to expend over one lakh crore on imports of defence hardware, with the additional bluff that CKD/SKD imports mean transfer of technology. They in fact kill indigenous design, R&D, skill, industry and the thousands of ancillary industries that are the backbone of a nation's capability. China called its ship-building industry in 1978 as the spring board of industrial development. Here the Minister of Defence preaches to us the CKD/ SKD route as self-reliance and the departments of the MOD, DRDO and the Services meekly follow the sermon.

The last CVC, not only classified the findings of the MOD deals on the plea that they derived from classified files, which is a wholly worthless reasoning, as a summary of the findings and

recommendations should have been shared with the Parliament and the people. The originator of any document in our government system has the right to decide on the classification that he gives to a document, suitably paraphrasing it, as 'unclassified' if he wishes to do so. Shri Vitthal also damaged the system by recommending the abrogation of the government order, approved at the level of the Prime Minister in 1989 banning middlemen in defence deals. By no stretch of imagination are middlemen essential or even desirable in defence deals. When we buy a defence system or equipment from a foreign company all the commercial details are at best classified as "commercial confidential". They have already been most probably communicated to other countries/ buyers previously or this would occur soon. In this age of modern communications there is no query of the ministry or the General Staff which requires the services of middlemen or agents in New Delhi to obtain answers. Admiral Nanda and Sons are incidentally the "honourable middlemen in a top-secret project, and several other acquisitions and Nanda junior is based in London. Yet if the babus insist, the information required can be communicated, to and fro, by hand of pilot or special messenger or the military attaches without any delay or problems. The intelligence agencies of many countries use middlemen not only to buy off politicians, civilian and military bureaucrats but also subvert them, including as 'sleepers' and thereby nurture "Trojan Horses". It is surprising that people have to wait to see the Tehalka tapes to wake up to this reality. This methodology is described in several authoritative bestsellers on the subject. (As the well-known author of the book *'The Arms Bazaar'* noted that he was not surprised that people in the decision making chain were amenable to being bribed in defence deals, what surprised him was that their price was so low.)

Twenty-six percent stake by foreign companies in defence PSUs has the wink and the nod of the Cabinet Committee on security!

Extension of US Presidential Doctrine No 59, arrogating to the US, the right to attack NNWS is now operationalized and declared as such in 2002, by Donald Rumsfeld as "useable"/ micro nukes against the "Axis of Evil" and for that matter anyone else who is not with the US.

Refusal of the US to sign the International Criminal Court resolution, and signing of the Presidential order of November 2001 giving own service personnel immunity under the Servicemen Protection Act, are indicators of the new world order. At the same time anyone classified as a terrorist, supporter or sympathiser will simply be taken from any country, tried on board and then thrown overboard.

There is an argument, repeated faithfully, by those close to the

establishment that time does not stand still; that the world has changed; and there is now a single superpower with whom we have no choice but to deal. A former Prime Minister, Shri P V Narsimha Rao, in a mid-term review of national security and economic policies had advised that India can deal with this superpower keeping its vital national interests, intact. It need not go so far as to tightly embrace or do an *aalingan* of the deity. That was good advice and all like good advice, simply ignored in preference to individual self-interest or *swarth*.

The CCS is so concerned with cross border terrorism, border deployment, etc., that it hardly ever dwells on the "grand strategy" of the country, looking at a 50 or a 100 years perspective. It is poorly staff supported by viewpoints of ministries, departments and agencies and receives no comprehensive assessments and national intelligence estimates that are a pre-requisite. A National Security Adviser or a Cabinet Secretary's wisdom as individuals, is not a substitute for a multi-disciplinary staff system recommended by Shri K C Pant in June 1998 to provide staff support to the CCS, as in the United States. Instead of a national vision we are, therefore, afflicted with myopia.

The United States, UK, and the countries of the G-7 pursue their respective national interests, notwithstanding any provisions of international law, obligations of international/bilateral treaties or agreements quoting their national interests to the advantage of their own people. Even recent examples on patents, bio-diversity, the Kyoto Protocol, the International Law of the Sea, UNCLOS, resolutions of the United Nations assembly, security council, the International Court of Justice and the International Criminal Court (signed by a majority of the countries) to name only a few are simply disregarded. Take the example of the ICJ's award in favour of Nicaragua as penalty for mining its harbours or the war damages reparations due to Vietnam, which have been turned on their heads.

The most dangerous threat is that of subversion of people in the highest places (please tabulate the bureaucrats and ministers who are in key posts in the Central Government and who have the certification of the World Bank - IMF) and of the democratic institutions of our Republic.

What happened in the former Soviet Union was the surrender of just the top few and it is well recorded in the book, *In Highest Places*, by Bechloss and Strobe Talbot. Installation of regimes through the electoral system which is now a perfected art, à la Russia. Subversion of the constitution, rendering ineffective parliament, bypassing it on all vital treaties, agreements, protocols, often claiming secrecy is a part of the process.

Bypassing the parliament or its established committees violates the basic principle of the accountability of the Cabinet to the Parliament and through it to the people. Secret diplomacy does not absolve the government of the day from taking the parliament into confidence and where necessary obtaining its approval. The subverting of the democratic machinery is proceeding unchecked at a faster pace than what was alleged in the Shah Commission where the Nuremburg Principle of "Superior's Orders" was held to be a protection for the judges and public servants.

Will we rise to these threats and challenges to India's Security or be apathetic as we have been on recent occasions in the past when such dangers visited us? To iterate the danger, subversion is a silent virus which penetrates the top echelons at the very start.

CHALLENGES OF GLOBALIZATION

P S Shenoy

Respected Mr George Verghese, distinguished invitees and friends and Shri Rashpal Malhotra, Founder Director, Centre for Research in Rural and Industrial Development (CRRID), at the outset let me thank you for inviting me to deliver the P N Haksar memorial lecture during the weeklong lecture series organized to commemorate the memory and legacy of the late Shri P N Haksar.

The distinguished gathering here and the intellectual topics selected for the lecture series are ample proof of the erudition of Mr Haksar and I deem it a great honour to be here in your midst to share with you some thoughts on the impact and challenges of globalization.

World history is too full of instances and evidence that have changed the complexion of the global economy. About 500 years ago, Columbus and Vasco Da Gama fired the first salvo in their respective efforts and made the commercial horizon wider. Not too behind in the past, the Industrial Revolution that sparked off in England, impacted several countries across the globe, facilitating production multifold and expanding scope of trade and commerce. Post-World War II developments, rapid expansion in transportation and more so in communication have opened an era of globalization. The end of World War II also saw the birth of the multilateral trading system replacing the bilateralism in vogue until then. Geography since the last decade has been rendered history. These factors have mothered the globalization process.

What is this phenomenon of globalization that has brought about such massive changes? The term "globalization" has acquired considerable emotive force. Some view it as a process that is beneficial — a key to future world economic development — and also inevitable and irreversible. Others regard it with hostility, even fear, believing that it increases inequality within and between nations, threatens employment and living standards and thwarts social progress. Economic "globalization" is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through trade and financial flows. The term sometimes also refers to the movement of people (labour) and knowledge (technology) across international borders. At its most basic, there is nothing mysterious about globalization. The term

has come into common usage since the nineteen-eighties, reflecting technological advances that have made it easier and quicker to complete international transactions — both trade and financial flows. It refers to an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity — village markets, urban industries, or financial centres. Markets promote efficiency through completion and the division of labour — the specialization that allows people and economies to focus on what they do best. Global markets offer greater scope for people to tap into more and larger markets across nations. It means that they can have access to enhanced capital flows, technology, cheaper imports and larger export markets. But it is not that markets necessarily assure that the benefits of increased efficiency are shared by all. Countries must be prepared and may be compelled to embrace the policies needed, and in the case of the underdeveloped economies they may need the support of the international community.

Globalization has gained currency in recent times on an equal footing with liberalization. Liberalization is both a necessary and a sufficient condition for the success of globalization. Participation in international trade is a key engine that determines the growth of any modern economy. Participation in international trade and being open to trade are being looked upon as the yardsticks of globalization of any economy. Introspection of our global trade position at below 0.7 per cent is a little painful and implies certainly a lower order, particularly when in early fifties the share was around three per cent. Globalization has brought about great changes in trade and investment perspectives. Hitherto investments were in proportion to trade relationship and due to distance and risks they were long term in nature and not so frequent. Today the advancements have led to a state when global investments far exceed the global trade itself. The trend to be observed is that investments are of short-term horizon, moving from country to country exploding the resource-wage advantages. Very similar changes are being experienced in the trade volumes also, especially in the last two decades when Asian merchandise trade to the US has exceeded the European merchandise trade to the US and this has changed the trade orientation of other nations too. This shift in trade imbalances is evidenced in the case of Japan and the US. Globalization has thus brought about changes in various parameters, especially relations, flow of funds, trade pattern and greater pressure on the governments to cope with the dynamic situation.

The chain of changes has also impacted the corporates in greater measure. Several characteristics and parameters which until

recently remained fixed have acquired dynamic state. Competition has increased exponentially and failure to take on the competition would result in not merely a reduction in market share but would bury the corporation itself. Further, the capability to stay ahead is getting expensive with cost of research and development increasing multifold. With technology aiding quick transfer of ideas, the creator is left with minimal opportunity. Selection of inputs and locations are being facilitated by the mind-boggling advancement of communication technology, effectively facilitating the location of origin and delivery of a product or service. The options of outsourcing and Foreign Direct Investments have thus come to stay. Several choices in terms of organizational structure are available across nations, viz., coalitions, joint ventures, strategic alliances, consortia, to mention a few. These allow a sleek existence yet greatly enable them exercise optimality in terms of production, marketing, reachability, etc. Change is thus dynamic, with increased speed, mounting risks, improved capabilities and unimagined demands and delivery channels never thought of before.

Multilateral dimensions to international trade led to the creation of GATT (General Agreement on Tariffs and Trade), which revolved around the pivot of non-discrimination or Most Favoured Nation treatment. Yet another important feature was the rule of law being established with a multilateral mechanism for supervision of system and disputes resolution. Though GATT dispute settlement system was adequate for the time and purpose, it had elements of informality and peer pressure, the same suffered from sparsity of the spouse details within the agreement about goals and procedures.

The fast changing complexion of world trade and the deficiencies of GATT have been addressed by the activism of WTO, which was founded on 1 January 1995 as the right successor to GATT. The basic feature that distinguished GATT from WTO is that the former had its focus mainly on the trade in goods while the later encompasses cross-boarder trade, services, ideas and even movement of personnel. The four main guidelines of WTO, viz., trade without discrimination, predictable and growing market access, promotion of fair competition and encouraging development and economic reforms form the four cornerstones of global trade. One hundred twenty three countries accounting for more than 90 per cent of global trade are members of WTO and with the recent joining of China and Taiwan, the reach of WTO is near complete.

There has been a long drawn conflict between free trade and

fare trade, and free trade does not necessarily mean fare trade. The latter generally connotes fairness with regard to distribution of benefits of trade amongst different member countries. Free trade often implies iniquitous distribution of the benefits of trade between the strong and weak members like income, technology, knowledge sharing, etc. Total free trade, I am afraid, is bound to widen the gap between the developed and developing economies. Thus the new trading system under the WTO could have an adverse impact on free trade, on the norms of fair trade and thus the conflict could be a continuing one.

India is at the crossroads as far as the WTO agreements are concerned. For several years we have rejected the application of market related economy. We had insulated ourselves with import substitution policies. The state intervention in the areas of production and trade has perhaps made us lag behind other neighboring nations like Taiwan, Korea and China. Competition will have to be welcomed if we are to survive in the current global scenario. Agreements numbering about 20 of the Act of 1986-1994 Uruguay Round of trade negotiations, which covers areas like technical barriers to trade, import license procedures, safeguards. General Agreements on trade in services (GATS), agreement on Trade related aspects of Intellectual Property Rights, agreement on trade related investment measures impact the EXIM policy of the country. Thus the agreement on import licensing is a step towards strengthening the discipline on the users of import licensing system, which are much less used now than in the past, to bring about transparency and predictability.

What is important to us now is the rights and obligations arising from these Agreements. Generally we are not fully geared for the new emerging global business scenario and expand the access to the world market. A passive approach against aggressive policies of the trading partners from the developed economies would be damaging to our interests.

International competitiveness is being strengthened through industrial restructuring and consolidation across the globe. The recent spell of mergers and acquisition amply speak of the consolidation and restructuring process. One can witness the mergers of Glaxo and Smith Klin Beecham in the pharmaceutical sector, merger of Daimler-Benz and Chrysler, take-over of Mazda by Ford, etc. Liberalized Trade Regimes have influenced the consolidation process thereby strengthening the competitiveness. Interestingly restructuring of operations by firms is being undertaken to refocus on their core competencies and bolster their market share. Volvo of Sweden sold out its car division to Ford and tried

to buy out the Scania Truck division to enhance its strength in commercial vehicles sector. Strategic alliances have also increased in recent times.

The process of liberalization has been restricted only to certain aspects, like lowering import tariffs on goods. Various factors that go into production include not only capital goods and raw materials that are tariff oriented, but also money, labour and technology. While the developed nations have all these factors in place, the developing ones have most often labour and raw materials in abundance. The negotiations subsequently have found adequate coverage in terms of goods and capital; little has been done for physical movement of human beings or on the transfer of technology, which is most necessary for the developing nations to give them a fair chance to rise to the level of competition that is much required for them to make their presence in the global markets.

Now let us ponder over some specific issues concerning us more, and the process of globalization through WTO.

Indian industry has been protected by one of the high import tariffs regions in the world and also by highest import license norms. Consider the scenario of market access in India. The immediate reaction is one of high rates of import tariffs. Consider the other side, where the major portion of the revenue of the government is generated from indirect taxes and any reduction in the import tariffs will have a commensurate effect on the coffers. The domestic manufacturers are placed at a disadvantageous position with high cost of capital and power, high infrastructure cost and comparatively low productivity levels. Thus the policy making of EXIM policy needs to protect the domestic producers from tough competition from imports. The whole situation maps onto a bout between unequals resulting in distortions. It makes me ponder if the hyped "favoured treatment" to the developing nations is a mere illusion.

The economic scenario and the industrial scenario vary for different countries, which are dependent, more on the exogenous and endogenous considerations. We have economies depending on trading activity as well as those who are predominantly manufacture oriented. India belongs to the latter breed of a commodity-producing nations with several units in operation and has the onus to protect the domestic manufacturers and the local labour, by raising suitable tariff until they acquire strength. Lower tariffs are the order of trading economies that have no local compulsions and need only to augment international trade.

Anti-dumping measures for the contracting parties are offered by Article VI of the GATT which is measured against imports of a product

at an export price below its normal value, if such dumped imports cause injury to domestic industry in the territory of the import contracting party. Countries do resort to protection under anti-dumping countervailing and safeguard measures and India has also used these measures to protect domestic producers. At the same time, some countries do extend over-protection. These measures do have their disadvantage, as they tend to encourage the complacency and inefficiency amongst the local producers. Though the local manufacturers get the protection only if the dumped imports cause them injury generally determined in terms of difference between their high cost of production and the import prices. As we know the high cost of production arises out of inefficiency and low productivity, they continue to enjoy the cover of the protective measures and are under no compulsion to reduce costs; this needs to be addressed as the safeguard measures in this regard demand the domestic manufacturers to identify their weaknesses and work out a plan in such a way that they get competitive in a given time framework.

We cannot afford to overlook the role played by the small-scale industries in the growth of the economy and the social development sector. They have continued to generate a stream of innovative enterprises and entrepreneurs and also have augmented the employment opportunities often playing a catalytic role in export promotion. Further, we have seen that the mortality of such industrial units are on the rise and banks have blocked a huge amount of funds in them. In the emerging scenario where trade barriers are dwindling and WTO would fully get operational, their survival is one of struggle, when globalization has come to stay as an irreversible process. Small-scale industries will have to gear up to face the challenge of international competition. The fear of SSIs getting marginalized or even being excluded looms large as their adherence to quality, competitive pricing and delivery schedules is poor. They have been plagued by the high cost of capital, poor infrastructure, lack of marketing efforts and technology upgradation and severe competition from large industries. The competitiveness of Indian manufacturers needs to be increased. A lot thought needs to go into the decision making process and a paradigm shift in approach is required while strategizing future rounds of negotiations at the WTO. Sound partnerships between the government and the affected parties need to be worked out. Small scale units also need to be protected; they provide employment to lakhs in the country besides contributing upto 40 per cent of the exports. The common facilities being worked out should provide the SSIs with a level playing field *vis-a-vis* the small and medium scale overseas enterprises.

Yet another feature to be observed in the WTO agreements is

that they do not discriminate on the basis of the size of industries be they small, medium or large. The decision to reduce tariffs, give up escalation of tariffs and doing away with non-tariff barriers like quantitative restrictions are bound to affect the SSIs. The brighter side arising out of WTO for the SSIs is that it would open up new trade opportunities, sub-contracting for MNCs by outsourcing supplies and the less tapped service sector by the SSIs, as also IT sector offers greater scope.

What clearly emerges is that the SSIs in the country can no more afford to have an existence in isolation. It is an opportunity to introspect and set a new agenda to emerge globally competitive; with technology upgradation and innovative marketing efforts.

There has been continuous debate on the role of WTO in the agricultural economy of the country, which has been dominated by fears and apprehensions that the WTO would dramatically change the scenario and that the developed nations would have an edge over us. A parallel fear also does exist in the minds of the developed countries as well who fear the subsidy element and that their governments will jeopardize this competitive edge. As per WTO agreement the subsidy should be minimized by the government in order to create an atmosphere for export and also for moving towards self-sufficiency. The objective is to narrow the gap in the prices of agricultural market in the member country and of the international market price index. This would automatically necessitate development of agriculture on sound lines. With the reduction in subsidies, which should not exceed 10 per cent of the value of total agricultural production, opportunities for export of agricultural commodities would increase and the Indian agro-economy can expect a boost with its access to larger markets.

Closely following the agriculture sector is the food processing industry, which is still in infancy in the country. Indian farmers are not adequately equipped to handle perishables, with the lack of storage mechanisms resulting in high volumes of wastage. The farmers also suffer from financial loss as a consequence of this. The food processing capacity in the country is of a high order provided the right infrastructure is in place. This calls for liberalization and investment in this area to provide sustainable development. Food safety and security will thus continue to be an important plank for restoration of WTO standards and regulations for food security. Cold storage chains, transportation mechanism to the ports and processing technologies would give greater impetus to the Indian market.

WTO has a major role to play in regard to intellectual property rights, which include copyrights, patents, trade marks, trade secrets,

integrated circuit design, etc. The restrictions placed on the investments in pharmaceutical companies will be removed and the people can access to cheaper medicines. It will ensure that the disclosure of source of the origin of biological material used and traditional knowledge applied are duly protected.

A strong linkage is being set between WTO and environment. It is expected that the relationship between trade measures and environmental scenario would promote sustainable development. Though WTO is expected to play a positive role in the development of eco-friendly environment in the country, the provisions are expected to have some impact on the market access. Most of our exports are from sectors, which have stringent environment norms like fishery, leather works, forest and food products. Switch-over to eco-sensitive substances and methods of production are high-cost oriented and may turn out be capital intensive and may prove harsh on the local industries. Trade related measures and eco-sensitive policies initiated by the developed countries would benefit them in terms of exports. Environment and its sustainability have become significant in determining the trade relations between the developing and developed nations.

This is emerging as the most important and vital segment of the global trading system to be regulated by WTO and is considered as one of the most important outcomes of the Uruguay Round negotiations in its form of GATS. Part-I will cover all internationally traded services with no discrimination in regard to foreign and domestic services coupled with transparency obligations. India with huge manpower can get into trade in service with developed countries on better terms. It is already evidenced in great measure in the field of Information Technology with cross-border migration of professionals. Yet another benefit that will accrue to India is in terms of employment generation if increased market access is attempted at. The size of the world market for services was estimated at one trillion US \$ in 1993 of which developing nations alone had a massive share of 95 per cent, of which 60 per cent being the share of the US, France, Netherlands and Japan. Services, better called invisible trade, has improved seven times in the case of the US. For the UK it has been more or less *pari passu*. India has been a loser in this segment with imports moving up faster than exports. The share of India in exports of commercial services has declined.

The most vital impact of the said global policy change would bring more foreign banks, securities firms and insurance companies, on the global trading map. This will result in increased banking, insurance

and other services across the border by overseas companies, including asset management and other financial services, by foreign owned firms. The reform process in the banking and insurance sectors has already been rolled out — the element of competition being introduced with more players, dilution of government holding, permission for FDI in the financial sector, joint ventures, etc. GATS will further make the competition tough with many players from across the globe accessing the sector. This could see many institutional alliances, mergers and acquisitions and banks are no exception to this. GATS would in a way ensure the survival of the stronger and the weaker vanishing.

As a proactive organization we at Bank of Baroda have initiated the transformation process to ready ourselves for the future which is full of challenges. Realizing that the huge branch network, the large numerical employee strength, the enviable brick and mortar assets, perceived strength of government ownership — which all served as formidable entry barriers — will suddenly become very expensive liabilities, we are in the process of making each one of these quickly yield most optimal returns. A total transformation initiative in all segments- technology, products, service channels, human resources- are in progress. We are sure that critical assessment of internal methods and practices, greater appreciation of role of technology for ushering in customer friendly changes, human sensitivity, reflective learning and continuously creating space for growth for others can make us a robust organization geared to meet the challenges of globalization, even in the thick of the globalized era.

In this era of liberalization, an export led growth would help us put the economy back on to the rails rather than greater dependence on domestic market activities. Slowdown of the major economies could hamper the growth of exports but an attempt be made to increase the share from 0.7 per cent to one per cent will not be asking for too much. As a promising and potential nation, a lot needs to be done to reap the fruits of globalization and yet preserve the strengths of our industries. Globalization has always been a part of Indian ethos and that the concept of global family, global village are not new to us is evident from the flowing verse:

अयम् निजह परो वेति, ग्यानेन लघु चेतसाम्

उदार चरितानाम तु, वासुधैव कुटुम्बकम्

Ayam nijah paro veti, gananaa laghu chetasaam

Udaara charitaanaam tu, vasudhaiva kutumbakam

“This one is ours, that one is yours”, say narrow-minded people. Whereas people with a liberal outlook consider the whole world as their family.

THE FUTURE OF THE INDIAN FINANCIAL SECTOR: FOUNDATION PAPER FOR A NATIONAL DEBATE

A T Pannir Selvam

Towards the last decade of the second millennium, banks across the globe were in a state of flux for a variety of reasons. Massive write-offs of bad debts to cleanse the balance sheets of those who could afford, was the order of the day. Those who could not, either went bankrupt or got merged. Adherence to prudential norms of international standards, created a climate for their consolidation to compete and serve the demands of the next generation.

It is against this backdrop that this paper attempts to catalogue the evolution and growth of the banking industry in India over three distinct phases in the opening section.

The growth of the economy post-Independence, impacts the changing relationship between the state and the market. In fact the policy reforms initiated in the early nineties have created sharp discontinuities in the role of the state and the functioning of the market which indeed brought about a paradigm shift in the relative position of the different players in the marketplace, the dynamics of which is sought to be covered in the second section.

Given the diminishing role of the state as an owner, and given the quest for expediting hard core reforms, the third and final section projects the scaffolding for the possible shape of things that may unfold to pave the way for consolidation and convergence of the banking system in India.

The best way to go about this task is to initiate a national debate that could clear the air to arrive at a consensus, never easy in a democracy.

I

Over the last 150 years, the banking industry in India passed through three fascinating phases. The first was what might be called the era of "Character Banking" during which every customer had had to be respectable or credible or trustworthy to be able to open an account with a bank even as a depositor, more so as a borrower. Small wonder then that it was this moral high ground in the very selectivity of a bank

customer that ushered in the second phase in 1969, the era of "Nationalized Banking" albeit under compulsions that were more political than economic.

The Indian banking scenario thereafter underwent a sea-change in its thrust from class banking to mass banking; in its geographical spread from the urban metros to the remotest nook and corner across the country; in its range of activity from traditional banking to innovative banking that for the first time addressed the needs of the rural poor on a scale and by methods that no other country's banking history can boast of, in its mission to promote self-employment or in its meeting the needs of industry whether small, medium or large, of trade and commerce, of the transport sector, of infrastructure, power, telecommunications and almost whatever else. It may be recognized that all these developments over a wide front were accomplished by Indian bankers with their indigenous skills, developed in-house, and who rose in maturity and stature to meet the challenging demands of the time to modernize India.

Nevertheless, it is often argued that it was a blunder to have nationalized the banks in the first place. There is, however, no gain-saying the fact that if it were not done, the pace of economic development, slow and chequered as it already was, would have been still more pedestrian, pro-urban and insensitive to the rural poor. It is now known what it takes to transform a communist economy to a market economy and to that extent it is less painful to convert a socialistic patterned economy to an emerging market economy.

That said, to know what went wrong, when and why, is a long story. Quite clearly, the decade of the seventies was perhaps the finest hours in Indian banking history. That was largely because the business ethos of management with its sense of prudence, cost-consciousness, self-imposed discipline, customer-friendliness and above all, a high standard of integrity which were ingrained during their days under private ownership were still preserved and cherished by the banking staff right through the first decade, post-nationalization. Business grew leaps and bounds and so did manpower requirement. The latter was met by the Service Recruitment Boards in large numbers that preferred high academic qualifications to suitability of candidates akin to service oriented banking skills and aptitude. This perhaps led to the erosion of attributes mentioned above that was the hallmark in selecting personnel for banks in earlier days. Growth in business volumes, value and spread, led to the creation of a four-tier management structure in the early eighties but its efficacy turned counter-productive within a decade of its

introduction; the span of control became too stretched and the chain of command *inter se* to its neighbouring tier, ineffective. Hence, the reimposition of a roll back to a three-tier structure by the early nineties.

Second, while core banking was the main preoccupation till then, there was simultaneously an euphoria to set up specialized vehicles via subsidiaries to handle the emergence of new business opportunities that the market had thrown up. Thus came into being, outfits like the Mutual Funds, Housing, Merchant Banking, Security Trading, all kinds of financial services, all owned by banks without Chinese walls or arm's length distancing. These outfits had their hey day in the eighties and the banks owning them basked in limelight blissfully oblivious of the impending scam round the corner. And yet, before the decade of their creation was over, bank after bank rued the day they transgressed into territories away from their core competence on which their very foundation and reputation was built brick by brick over half a century!

Third, the mere fact that the nationalized banks under a protected regime could cover no less than 93 per cent of the market share within two decades is what would now seem to be the root cause of many an ailment inflicting its health in varying degrees; arrogance, complacency and insensitivity towards customer satisfaction for two long decades triggered the emergence of the third phase of 'prudential banking' which coincided with the era of reformation of 1991-92. The latter might appear to be a product of internal compulsions, but not quite. The world of banking internationally was silently being subjected to governance by an unobtrusive code of conduct and observance of prudential norms universally applicable as prescribed by surgeons from Basle. This then is the Bible that regulatory authorities all over the world are enjoined to ensure compliance with, in the discharge of their regulatory responsibilities.

The observance of just two norms, to flag the point of "income recognition" and of "capital adequacy" has turned the world of banking and its past glory upside down, across the globe. For that matter, it is now well known that since the Report of the Basle Committee, dating back to 1988, the infirmities of a simplistic capital adequacy norm have been exposed and the Committee is refining it on an ongoing basis. Even now, there is not much unanimity as to what should go into the numerator, namely what should constitute the capital itself and more so in relation to what should go into the denominator, namely what should constitute risk assets and furthermore on how best can risk assets be categorized. After all, they vary in degree of risk levels and therefore how appropriate is it to

box them in a "one size fits all" formula. Be that as it may, the ruling from Basle is a creed to be followed!

From the prudential point of view, it is these same two norms that have led to the cleansing of balance sheets of banks, bank by bank in India. In the upshot, they threw up the can of worms called NPAs estimated to be around Rs 60,000 crore, which has raised a hue and cry in parliament as elsewhere. The myth and mystery surrounding this realization needs to be placed in its proper perspective as the concept itself was derived from asset classification and income recognition, both of which suffer from perceived imperfections.

First, these NPAs as officially acknowledged are not an overnight creation. It was the price to pay for developing the nation over three decades.

Second, the main objective of nationalized banking was the fulfilment of a social commitment that had not necessarily to be profit driven. Hence the heavy cross-subsidization of its operational return flows. And so, when the day of reckoning came, banks just did not have profits enough to provide for the baggage of bad debts.

Third, the Basle prescription does not distinguish between NPAs of the developed nations (created more by way of off-shore/cross-border lending) and those of developing economies (created more on-shore and therefore subsisting within the nation), nor does it give the latter a longer time frame for compliance. Worse still, Indian banks suffered further self-infliction from a definitional point of view, from their own regulators on three counts: First, provisions made in hard cash were not allowed to be netted out while asking banks to declare their gross NPAs, whereas the rest of the world talked only of net NPAs and not net and gross as in India. Second, banks were not allowed to deduct the value of collateral held even at a heavy discount to compensate for erosion in value, thanks to the outdated legal system in force. The rest of the world does. Third, banks are required to declare NPAs as a percentage of loan assets alone and not total assets as the rest of the world does. If done, NPAs declared as of now would appear less than what it has been made out to be, i.e., Rs 60,000 crore. But there is a blessing in disguise to the conservative/compassionate approach of the regulators in such matters, as later events show, namely that strictly speaking, the total NPAs in the Indian system could well be beyond Rs 100,000 crore even as of now and before the shake-out takes place in Indian industry in the next two to three years. Thereafter NPAs might well exceed Rs 150,000 crore.

As it is, there is hysteria over the current level officially admitted. Rs 60,000 crore are after all just US\$ 12 billion. Even assuming the worst

scenario that it climbs to US\$ 25-30 billion in the next two to three years, does it appear outrageous for a country of our size and population when compared to more than US\$ 100 billion for countries like Korea, Indonesia, etc., not to mention Japan's trillion? It is a historical fact that even the developed nations of today accumulated up to something like US\$ 259 billion during their period of transition! When it is a fashion these days to compare issues in globalized context, so be it in the NPA context as well. This is being stated not to belittle or underplay the Herculean task of recovering dues by banks, but only with a limited purpose to enlighten those who are not otherwise well informed about global statistics.

That said, it is worth an introspection on the impact of reforms the banks were subjected to. Till the nineties PSU bankers were living in a world of their own, protected, sheltered and patronized with captive business. They called the shots and enjoyed a resultant market share of virtual monopoly. Banks stood their ground on false pride of their historical pedigree and reputation. Came those two norms of income recognition and capital adequacy, and many a dream of (past) glory got shattered. Size and patronage in deposits no longer mattered. Intrinsic worth did. And for the first time the myth of their past standing got blown over. Some banks, considered heavy-weights, got bogged down with the weight of their NPAs, while others who were considered nickle and dime players surfaced in credibility and public acclaim.

Liberalization, de-control, de-licensing and de-regulations fostered fierce competition, triggered landslides in income generation with thinning margins. To make matters worse, nearly 70-75 per cent of incremental income generated was being gobbled up by the wage bill of banks, which in effect was more than twice the net profits declared by the banks. The result of these twin forces considerably reduced the capacity of banks to provide for loans losses which on the average for the system as of now is around 35 per cent of bad loans provided for. Therefore, internal accruals coming to the rescue of bolstering balance sheet strength on a scale required is a futile dream as of now. Capital infusion by the owners, the government, is no longer a worthwhile pursuit by banks. And IPOs cannot be repeated on an annual basis like celebrating birthday parties!

On the other hand, capital adequacy norms (10%) in force, limits the ceiling for credit expansion, contrary to the fallacious belief that you can expand credit as long as deposit growth takes place. You cannot; you can, only to the extent of what capital adequacy permits. Banks will be pushed to behave like frogs in the well with water levels receding each

time capital adequacy norms are raised, as indeed they might, to say 12-15 per cent in the years ahead. Even as of now, the combined capital adequacy of all banks put together is not more than US\$ five billion whereas the credit demands of the economy over the coming decade will require a capital adequacy of US\$ 15 billion. It is inconceivable that such demands can be met from within! Shoring up capital adequacy through subordinated debt is nothing better than having recourse to a ventilator before death!

Under such compelling circumstances globally acquiesced, and, unless there is a change of heart in Basle to loosen up capital adequacy and income recognition norms, it is obvious, beyond a shadow of doubt, that except for a handful of a few banks, most others will have to give way to a change in ownership either by way of consolidation among banks after due surgery of the unsustainable portion of their assets and liabilities, or give way to international banks of repute, to each of whom capital infusion of some US\$ 10-15 billion is peanuts! Does it mean loss of face to Indian honour? Not quite. If the likes of J.P. Morgan, a US\$ 35 billion bank, a symbol of prudence in banking since the days of the Great Depression, can pass hands to the Chase Manhattan Bank, what chance do most of the PSU banks have to survive? And, if this were true of PSU banks, lo and behold what lies in store for the private sector banks whether old or new? Their days too are numbered. The days of poaching are already visible, though what we have seen so far in terms of the so-called take-overs is nothing but an illusion compared to what is to follow. Take for example what is taking place even with regard to the foreign banks in India. Grindlays, which had many a father in the past, was bought over by Stanchart recently and, yet again, Stanchart itself is on the block to be taken over, as rumoured. The Germans and the French, on the other hand, are pruning their activities in India.

At the international level we have seen great mergers taking place across the globe, not merely among banks *inter se* within each country, but also cross-border among sovereign states. We have also seen mergers between banks and activities that can be leveraged upon, such as the travel agencies and insurance companies and more such can be expected. India no longer needs to be too wary of the impact of M&A movement taking root on our shores as, it has moved away from its earlier protectionist attitude towards its financial institutions and in fact is now looking at the linkages with foreign financial institutions as a source of strength, in terms of greater access to external funds and technology.

It might seem a bit odd or disjointed to take off at a tangent at this

point, but it is necessary. The course of events mentioned so far could not have taken place the way they did but for the *inter se* dynamics among and between the players, the playing fields, the regulators and the infusion of technology in banking. This is what is sought to be explained in the second section as under.

II

Till a decade or two ago, Bankers all over the world suffered an obsession that they and they alone are the monarchs of liquid money that they can lend, and therefore called the shots. Today, banks no longer compete among themselves; nor is the market its exclusive turf. The world of finance has ceased to belong to the banking fraternity worldwide, whether public or private, big or small, local or foreign. There are countless players in the field with equal if not larger sums of money to dispense with; the ocean of pension funds that runs into trillions of dollars; the postal savings pool; the insurance sector funds; the mutual funds industry; the venture capital funds that run to about US\$ 360 billion, the hedge funds, and not to mention the slush funds or laundered money that devastate economies after economies.

In the Indian context, PSU banks thought very little of their lesser mortals like the co-operative banks, the RRBs, the now infamous non-banks, etc., though recently they have woken up to the menace of efficient players in the private sector and foreign banks. Why, even the term lending institutions who have always had a chip on their shoulder looking down upon commercial banks as petty working capital lenders are now beginning to feel the heat wanting to convert to universal banks for wrong reasons; as if universal banking is a panacea. They are groping in the dark knowing their future is bleak as mere term lenders. These players apart, there is the unobtrusive emergence of sector-specific funding institutions whether for power, infrastructure, housing, railways, agriculture, small scale industries, exports or whatever else. Their breed will multiply to meet sector-specific needs. However, when the New Order surfaces, they will all be subject to convergence, as eventually the pool of funds will accumulate in a borderless reservoir regardless of where they flow from and be accessible to countless players, depending upon their credibility to ensure a rate of return that markets will determine.

Just as the players have multiplied manifold, so has the playing field in size as indeed in character. Gone are the days when markets were commodity-specific whether wholesale or retail or even locality-cum-product-specific outlets. Almost overnight we see the emergence of

the multiproduct supermarkets or department stores at every nook and corner and even in semi-urbanized centres of late. This indeed is a tribute to the ever growing realization that "customer is king" after all.

Second, it is now *passe* to talk in terms of a silver market, a bullion market, a steel market, or spices market, why even a fish or vegetable market, in short a commodity-specific market, whether fast moving or otherwise. Instead, it is now fashionable to talk in terms of a debt market, an equity market, a bond or a stock market.

Third, post-WTO, the distinction between what constitutes a domestic market and an export market is getting as blurred as between FI's and banks. WTO has ensured that there will be only one borderless market encircling the globe which, by then, would have become a village, whether on or off-shore!

Fourth, that "customer is king" is further demonstrated by the application of IT to banking operations, to trade, domestic or foreign, via E-commerce products that has rendered the formal market place itself redundant!

Fifth, environmental compulsions have shifted markets producing pollution emanating products to those countries which are alas less conscious of their long-term impact on health and well-being of a country's citizenship. The short point is that markets do not chase money anymore; it is the other way around.

And just as the players in the financial sector have multiplied over the years, so have the tribe of regulators. Till the mid-eighties, the reigning deity for bankers had been the Reserve Bank of India. But with money from banks flowing through various sectoral markets of the economy, they are now called upon to pay equal obeisance to multiple regulators, be it SEBI, CLB, TRAI, CBDT, IRDA or whatever, and in the days ahead their tribe will grow. And it is an open secret that each regulator guards his turf zealously though not always in consonance with the other's code of governance, which is why one hears about the need for a "super-regulator" which again is no panacea for the game of one-upmanship that will always go on.

To understand how complicated things are getting among multiple players in the same playing field and the regulators, all that one has to do is to take a walk on a Sunday morning down Shivaji Park (Mumbai). There, one will see many teams playing cricket side by side on pitches, some of which are parallel to each other, while some others are perpendicular to one another. So much so, one should not be surprised to see a leg umpire of one match declaring a batsman of the next, LBW. Or, for that matter, a batsman who has just cleared the ropes for a six in

one match being given caught out by a fielder in the adjacent match!! And it is just not cricket alone that is being played out there. There are multiple games, each with its own referee and at times it becomes difficult to differentiate between the player and the referee!!! And as the saying goes, the king (referee-regulator) can do no wrong. However, over the last decade, regulatory authorities have brought about far reaching changes for strengthening the banking system not only in prudential regulation but in structural and fair play regulations as well. They have not hesitated to take a fundamental and radical look at the organizations and institutions they appraise. Though for public sector banks, their reach and effectiveness are somewhat circumscribed, it is for the government to create a climate of governance culture that is appropriate to market-driven compulsions. That said, what is imperative is a greater degree of integration among the various regulators and it would be desirable to have the Governor of the Reserve Bank of India as the Chairman of a Board / Committee of Regulators to iron out thorny issues, not because it is the oldest regulator, but because funds flow to the various sectors through banking channels via the payment system of the RBI.

In retrospect, the transition from one phase to another was largely influenced by the dynamics of the three critical factors, namely, the players, playing fields and the regulators *inter se* to one another. Thus, for example, it will be seen that the first phase was dominated by a few powerful players in the private sector that limited the size of the playing field to their advantage under the grip of a tight regulatory regime, as those days belonged to the days of controls and licensing. In the second phase, one saw the private sector getting eclipsed by the newly created public sector banks which transformed the size of the market in its width as in its depth to make it accessible to the vast majority. To facilitate this development taking place, the regulatory authorities played a supportive role which in the end was more developmental than regulatory.

The growth that took place in the first two phases led to the complexities faced in the third phase. With the entry of foreign institutional investors, the market became highly competitive, public sector undertakings were facing an erosion in their market share, rules and regulations were flouted left, right and centre, which resulted in scams, both in the money and security market. This brought the regulatory regime on their toes and one saw excessive regulation manifesting the conduct of the market, regardless of the players involved, whether public or private, local or foreign.

It may also be noted that the prescription for regulation is

internationally designed to conform to global standards, though an intermediary stage in the Indian case might make for the transition becoming operationally smoother within a given time frame.

While the imposition of prudential norms changed the face and colour of the balance sheet of banks, the infusion of technology changed the very image of the delivery system of their products and services, with speed, efficiency, accuracy, but above all the convenience to operate one's account anywhere, any time.

Traditionally, four main items of cost impact the profitability of any bank: high cost of deposits, high wage costs due to excessive staffing, high NPAs that yield negative returns and the combined effect of those three components resulting in high operational/transactional costs.

Internationally, banks first commit to lend and then go around to raise resources to meet that commitment. In India, banks suffered a mania to garner deposits first and then go in search of avenues to lend, creating mismatch between source and uses of funds, adding to cost. This obsession to raise deposits stood justified on the plea that banks in India till recently were ranked on that criteria. This absurdity now stands corrected with banks getting cost conscious in soliciting deposits just enough to meet their statutory pre-emptions and credit demands. Further, realization has dawned that they just cannot go on a lending spree just because they have a pile of deposits to disburse without adequate capital.

The effect of the VRS introduced a year ago will have a telling effect on wage costs in the next two years as it takes about three to four years to recoup the outlay expended on the VRS. At the same time, the unanticipated imbalance created among resultant staff, post-VRS, whether in calibre or in their place of posting, can stand corrected with a second round of VRS, but with some forward planning for whom they wish to retain. Only then, cost reduction on this front will be meaningful and not counter-productive as in the first round.

As far as reduction in costs on account of NPAs is concerned, there is no hope of salvation unless there is *will* to legislate recovery-friendly laws against defaulting borrowers. SICA has been a disaster which is being repealed. Given the current legal framework, DRTs are no answer to the menace of rising NPAs which will continue to hound the banking system in the years ahead. At best DRTs can decree against defaulters quicker than courts can, but in the absence of supporting foreclosure laws, such decrees will remain on paper without its enforcement. A similar fate will befall ARCs when established.

Therefore, cost reduction on this front will remain a pipe dream with slippages every year exceeding amounts recovered during that year unless, of course, NPA eradication laws become operative, even if passed.

The only hope reducing costs of operation lies in reducing transactional costs which again only technology can and will. How and where:

First, processing time of transactions will dramatically reduce from days and hours as of now to “within seconds” in the days ahead.

Second, accuracy in accounting will ensure elimination of mistakes made manually whether well- or ill-intentioned, i.e., reduce the incidence of fraud-prone possibilities.

Third, facilitate inter/intra-city connectivity for transactions of a customer within the branches of the same bank or even between customers of different banks at different centres. This would have taken days to accomplish in the past, but now it can be done almost instantly.

Fourth, geographical distance between the customer and his bank and the inconvenience to get there is now rendered redundant. ATMs have made their dream come true.

Fifth, beyond the horizon of the benefit of LT accruing to an individual customer lies the macro benefits accruing to the banks, individually and collectively, which in turn serves to reduce transaction costs for each player, thereby reducing costs among players to vie with one another and reduce costs further, which is what competition is all about. The end beneficiary is the customer for “he” is king.

Sixth, Information Technology as applied to banking has had a 3-D effect: at the micro level it has revolutionized customer service, facilitated optimum use of available funds by most scientific asset-liability management and payment systems within each bank; at the macro level it has integrated the banking system within each country and above all it has cemented inter-connectivity among the banking fraternity, globally. What greater miracle could one have hoped for. This again is not an overnight development. It has been relentlessly pursued over the past two decades or more with umpteen efforts on a trial and error basis say, for example, to graduate from the “store and forward” method of transmitting messages to the “Straight Through Processing” method of messaging transactional data on line on an ongoing basis globally. It is understood that any or every transaction between any two parties must result in a settlement that is indisputable to either. Or for that matter, there is always a time-lag between the commencement of a transaction and its conclusion with its counter-party culminating in its

settlement, and the inherent risk in-between may not have surfaced till the settlement was crystallized leaving scope wide open for endless litigation.

This flaw at the head office level is being plugged by introducing the generic architecture of computerization at the level of a bank, whether branch, controlling office, or head office, with the introduction of what is called Real Time Gross Settlement (RTGS) the latest so far in the litany of efforts to perfect the payment system with more such refinements to follow. The crucial ingredients or the core issues that govern the infusion of IT in banking are two-fold: regardless of what systems are used by whoever, it is their inherent capability to satisfy the prerequisite of inter-connectivity with and among themselves and the platform that supports such facilitation, is credible beyond a shadow of doubt. It is precisely in pursuit of these twin objectives that led to the creation of Society for Worldwide International Funds Transfer (SWIFT) of which India is a member. SWIFT in turn is the co-promoter of projects i.e., IT infrastructure platforms large enough to cater to the growing needs of the future of world trade, namely CLS, BOLERO, etc., which really are the next generation products the world will benefit from.

III

Internationally, the reformation process commenced in the early eighties when prudential norms from Basle were imposed on the banking system among the developed nations for the first time. Compliance with these norms led to downsizing of some banks while the stronger ones consolidated their position and went on to expand via the M&A route, both domestic and cross-border. This at least was the case in the USA.

The same phenomenon was less pronounced in the more conservative nations of Europe. There the obsession was to unite to create a single currency, the Euro, as an alternative symbol of currency strength to the U.S. Dollar and thereby hoping to dominate the markets in the third millennium. That done, the stage was set for the consolidation of financial institutions across European nations with cross-border M&As. We have seen a bit of that already taking place. The exception there is Russia, which is in a shambles as of now, but who knows that some day they might draw upon their ancestral ties with the European nobility of which they were a part before the Revolution and claim a right of entry in to the Euroland. Did not the two Germanys unite? If this were to happen, we will see the emergence of the United States of Europe!!

Farther East, it is not too difficult to visualize the financial

integration of the oil producing nations of West Asia into a single economic block. That will inevitably lead to the consolidation of the financial institutions of the Islamic world cemented more by religious faith than economic necessity.

Still farther East, the typhoon that swept across South East Asian nations in 1997 shattered their economies while the very same financial institutions that created the miracle of these Tiger Economies lie in tatters. Their consolidation has been a lot more painful than that experienced by their western counterparts.

In the Far East, the picture is even more dismal. The Japanese Banks are in the doldrums and they have remained clueless for the past five years as to how to go about resurrecting themselves. The story in China is no less enviable as nobody knows the size of the hole to plug among the Big Four. US\$ 400 bn?

All these developments inflicting the economies of the world in varying degrees are short of one single need, i.e., capital, which will flow from nations that have it, and have it in abundance, to nations that do not. While economies in distress attempt to repair their damage by downsizing their financial institutions and consolidating them domestically, it is the capital flows from the Dollar and Euroland that will augur well for strong domestic and foreign banks to dominate the financial sector.

This is equally true as far as India is concerned. Though we are committed to reforms, it is the pace at which we are doing so that will make the transition towards a modern market economy more painful, protracted and delayed. It is this ground reality that we must come to grips with via a national debate.

All said and done, it must be acknowledged that Public Sector Banks and the Development Financial Institutions played a stellar role in the development of the nation with its high social content and commitment. It is a different matter that these obligations were discharged in the national interest not always necessarily on pure commercial terms. It must also be recognized that these institutions, being owned by the government, had to follow policies in the seventies and eighties that were meant to reduce inequities and regional imbalances in the system and therefore a certain degree of credit dispensation "on behest" was inescapable.

While this is understandable up to a point, it went on to function as a surrogate entrepreneur and in the process changed beyond recognition the corporate governance structure and *inter se* relationships among the different stakeholders. The political executive

and bureaucracy step far beyond what is required for compliance with parliamentary accountability. They have indulged with abandon in distributing patronage in the selection of persons for the boards and the management. Often political convenience has taken precedence over merit and competence. It has since been proposed that government will reduce its holding to one-third of the share capital and ask PSBs to raise additional capital from the market. This it is believed will bring in the discipline of the market with greater disclosure and transparency. At the same time it is declared that PSU banks will preserve their public sector character! Is it to be presumed that the state is committed to the continuation of surrogate management? This would tantamount to a paradox in policy intent. To allay such unintended misgivings, it is necessary that in institutions, particularly financial, where the state is the owner, it has to distance itself from the role it is accustomed to, controlling the institution by fiat and move deliberately and effectively to redefine its role as a facilitator of institutional changes. To embark on a policy regime that seems to legitimize the persistence of entrenched groups, creating in the process a paradoxical situation, would be to sow the seeds of disaster all over again. What happened in the UTI is not a random spasm. Meddling in a trap set by different interest groups, many PSBs and a few financial institutions see their own reflection in the UTI mirror! This then is the first and foremost issue that a national debate should address, i.e., the role of the state in the financial sector where ownership, whether in part or full, rests with the state.

The next point of debate is the future of the banks in India. As long as the overriding mantra for banks is capital adequacy and capital adequacy alone, not just at any point of time, but on an ongoing basis, it is difficult to visualize that banks that exist as of now will all continue to do so in the next five years or so. A few will; most will not. As already discussed, recapitalizing weak banks is no longer possible. On the other hand, prudential norms will only get tighter. Therefore, how should the banks prepare themselves either to continue or to exit?

1. Apart from the State Bank of India, there are just about four or five other large PSU banks that can be expected to hold their own in the years ahead. They need to get their act together on two fronts: take their level of provisions for bad debts to 70 per cent from their current levels of 40-60 per cent and put in place appropriate technology of world class standards that will make them be seen more as virtual banks rather than of the brick and mortar stuff. This by itself will lead to consolidation of their respective network which may stand reduced to 40 per cent or 50 per cent. They must be given autonomy, operational and administrative, and be

completely Board-driven including the selection of the CEO. Finally, they must be taken out of the purview of the CVC even if it entails bringing them under the Companies Act.

2. There are two or three PSU banks that are sound in the financials but not big enough to carry the day on their own. In fact they are pretty targets for take-over even as of now with potential suitors prowling around. Who should decide their future, the state or the market?
3. There is the third rung of PSU banks where the problem is a lot more serious to handle. There will be political compulsions to keep them going but the markets may not allow for that beyond a point. It is best that they tidy themselves up in the time they have at their disposal: raise their provisioning for bad debt up to say 50 per cent of their loan losses, reduce their network considerably, shed unproductive business practices of the past. In fact, for the vulnerable category of banks, it might make eminent sense to segregate the assets and liabilities of different business segments and re-integrate them in a manner that will appeal to different players in the market, other Indian banks, financial institutions and foreign banks. The problems specific to each PSB have to be left to be tackled by a Board specifically selected and manned by persons who can combine professionalism with a flair for democratic accountability, with operational freedom and flexibility insulated from interference from bureaucratic and political establishments. No outside authority, statutory or otherwise, can be a proxy for it. The Financial Restructuring Authority envisaged in the Report of the Working Group (Verma Committee) to restructure weak PSUs can at best turn out to be yet another tier in the hierarchy of decision making in the bank and will be an anachronism in the competitive marketplace!
4. Likewise is the case with floundering Developmental Financial Institutions (DFI's). They flourished under a protected regime extending term loans and project finance from a subsidized source of funds and freedom from regulatory authorities. In retrospect, it would now seem that it was these two so-called blessings that did them in! Behest loaning went on with gay abandon, which submission to some sort of regulatory control and observance of prudential norms could have stemmed to a certain degree. With the rules of the game changed, they have to compete with commercial banks (who also undertake project financing) on even terms to raise resources cheaply, which they

simply cannot do without retail outlets. Their obsession to convert to universal banking though logical is impractical unless they merge with commercial banks large enough to sustain them in the long run. Even the second largest bank, recently created via a reverse merger of the offspring with its parent organization, will not be able to sustain itself beyond the near future unless it looks outwards for external source of finance to be viable in the long run.

5. There are two types of private sector banks, the old and the new. As far as the old (mostly regional banks) are concerned, fatigue and inadequacy of capital will lead to their mergers sooner than later. And as far as the new banks are concerned, it is true they started on a clean slate, became technological savvy and offered attractive products and services. But it is still too early to assert that their corporate governance and risk management are far superior to what obtains in the PSBs. Already their shake-out is imminent as evidenced by a couple of mergers. The rest will follow the same fate. The only exception is the HDFC bank which is a classic role model of banking in the private sector with a promising future. Even here, it will be compelled to shift from organic growth to acquisitions to reach a critical mass to stand alone.
6. There have been quite a few foreign banks operating in the country, and there are at least five of them who have completed 100 years of operation each. For most part, they all had to rest content with muted growth over the years on grounds of policy that they had to operate within. However, with the opening up of the economy, their prospects for growth and expansion have brightened. This is not to mean that all of them will do so. In fact, in the recent past, at least three banks have taken the exit route in keeping with the corporate policies in their host countries. As of now, there is evidence to suggest that at least three major international banks will get aggressive on the Indian banking scene — Citibank, ABN-AMMRO and HSBC. But in the foreseeable future, one can expect three-four banks from the U.S., two from Europe and two from the Eastern hemisphere, to make their presence in India increasingly felt. The global franchise that these institutions enjoy worldwide, coupled with their financial muscle, will facilitate this taking place.
7. There are two sectors in the Indian economy that received special focus — small scale industries in view of their vast

employment potential, and agriculture which was the backbone of India post-Independence. Perhaps it would be worthwhile to strengthen SIDBI to address the problems and growth of the SSI sector more comprehensively than hitherto. Likewise, NABARD might be commissioned with complete responsibility over the agriculture sector, even if necessary by taking over the agricultural portfolios along with the infrastructure spread across banks, both in the public and private sector. Even the RRB's can be brought under the exclusive coverage of NABARD. In other words, commercial banks may be freed of the responsibility towards agriculture which cannot all the time be run on a commercial basis. Such an arrangement would necessarily entail additional infusion of capital in NABARD to sustain concentrated attention and promote growth in agriculture. In due course, it is hoped that with the introduction of high-tech in agriculture, and with the certainty of agricultural produce entering the export market, NABARD should be in a position to manage agriculture on commercial terms.

8. As the economy evolved over the years, several multi-sectoral specific financial institutions emerged over time and they are all in the business of lending to their specific sectors. However, such an arrangement runs two risks: one of overlapping or duplicating each other's function at their respective peripheries, and the other, which is a bit more serious, is in their not being able to manage roadblocks caused by trade cycles which hit each sector by turn. The possible way out is to consolidate these institutions with two major power houses, one to cater to the needs of core infrastructure and the other to earmark for non-core developmental activities. Treasury management of such an arrangement could become more efficient and yet meet the needs of all sectors more scientifically.

In any banking system, no bank, howsoever owned, can survive unless it continuously strives to transform its organization as a self-governing, self-correcting and self-adjusting entity. For banks to grapple with these problems and manage the future structural and institutional rigidities need to be eased in two critical areas: comprehensive legal support for recovery of bad debts and a fundamental change in the pattern of governance for the PSBs. While the recent Ordinance for recovery of bad debts and securitization of assets is a godsend, it remains to be seen as to whether dilutions to it take place when the Bill is finally passed.

The kind of relationships that have developed among the various interest groups — club arrangement among brokers, big investors and political execution — are strong impediments against the reform process. The political establishment in a democratic polity cannot evade its democratic accountability to move away from the kind of solutions and preferences that are breeders of inefficiencies. However, they cannot also be expected to simply alter the rules and change the policy parameters all too suddenly or experiment with an essentially irreversible programme. The priority is to generate a kind of political climate that encourages the growth of countervailing interest groups that have a stake in the changes to promote the kind of efficiencies that the economy is looking for. What one has to continually aim at is that the state- and market-driven institutions adapt to each other; neither the state nor the market should become destructively dominant to cripple the other. This, together with what has been covered across the pages, will, it is hoped give an indication of what the future is likely to hold and it is essential that we plan for the future than let events overtake us.

Finally, throughout the history of nations, mankind had one master to serve, the owner, first as a slave and once the loyalty test was won, as a servant. This has been the universal truth during the first two millennia. In this millennium, however, mankind is destined to serve not one but two masters: The first is no longer the owner, but the customer, who is king regardless of whether he is rich or poor, young or old, domestic or foreign. The second is profits. There is no third. And just as “income recognition” and “capital adequacy” are two sides of the same coin, so also is it with “customer satisfaction” and “profits”. So be it.

POVERTY ALLEVIATION AND FOOD SECURITY: CHALLENGES TO POLICY-MAKING IN INDIA

R Radhakrishna

I am grateful to Shri Rashpal Malholra for inviting me to deliver a special lecture in commemoration of Shri P N Haksar at the Centre for Research in Rural and Industrial Development, (CRRID) Chandigarh. Shri Haksar was a distinguished scholar statesman. As Deputy Chairman of the Planning Commission, Government of India, he made significant contribution to Indian planning in the nineteen-seventies. He provided guidance to CRRID, Giri Institute of Development Studies (GIDS) and Indian Statistical Institute (ISI) as the Chairman of their governing bodies.

I have chosen the topic "Poverty Alleviation and Food Security: Challenges to Policy Making in India" for my lecture. The basic premise of my lecture is that, of late food insecurity in India is a poverty problem — deficiency of food intake is mainly due to lack of means to acquire food rather than due to supply failures. The real challenge is to ensure that there is adequate purchasing power in the hands of those suffering from food insecurity.

The concept of food security has undergone considerable changes in recent years. Food availability and stability were considered good measures of food security till the seventies and the achievement of self-sufficiency was accorded high priority in the food policies of developing countries. However, though some countries were successful in achieving self-sufficiency by increasing their food production and could also improve their capacity to cope with year-to-year fluctuations in production, they could not solve the problem of chronic household food insecurity.

This necessitated a change in approach and as a result food energy intake of the vulnerable groups is now gaining prominence in assessing food security. It has become common practice to estimate the number of food insecure households by comparing their calorie intake with required norms. However, the widely accepted norms of the level of calorie intake required for overcoming under-nutrition have been questioned. Nutritionists argue that the energy intake is a poor measure of nutritional status, which depends not only on the nutrient intake but also on non-nutrient food attributes, privately and publicly provided inputs and health status (Martorell and Ho, 1984). The non-food factors which influence biological absorption are also considered as important for food security as food factors.

It is suggested that the assessment of malnutrition should be

based on outcome measures rather than input measures (ibid). The suggested outcome measures include anthropometric measures, clinical signs of malnutrition, biochemical indicators and physical activity. Outcome indicators are more closely related to health and its functional capacity. Among the outcome measures, anthropometric measures are considered to have an advantage over other indicators, since body measurements are sensitive even to minor levels of malnutrition, whereas biochemical and clinical indicators, on the other hand, are useful only when the level of malnutrition is extreme.

In policy design, a distinction is made between the hardcore of chronically food insecure households and the transitory, which temporarily are subject to hunger during the off-season, drought and inflationary years and so forth. Transitory food insecurity is associated with the risks related to either access or the availability of food. Policies such as those relating to price stabilization, credit, crop-insurance and temporary employment creation are initiated for stabilizing the consumption of the vulnerable groups. In contrast, the problem of chronic food insecurity is primarily associated with poverty and arises due to continuously inadequate diet. The strategy to overcome this problem includes intervention to raise the purchasing power of the poor through endowments of land and non-land assets and by generating employment opportunities especially in non-farm sectors, as well as long-term growth-mediated interventions (agricultural production programmes, infrastructure, human resource development, etc.) to improve food availability as well as accessibility.

Agriculture has an important role to play in alleviating food insecurity by providing purchasing power to the poor and stable food at an affordable price. Since food accounts for a major share in the budget of the poor and any reduction in food price leaves a significant proportion of income for the consumption of other items, a lower food price stimulates employment in the non-farm sector. Productivity gains generated by technological innovation particularly in less endowed areas hold the key. Public support for poverty alleviation programmes as well as subsidized food will have to continue in the short term as supplementary to the broad based employment-oriented growth. Diversified agricultural growth and vibrant rural non-farm sector are critical for transition to labour intensive growth.

The Asian countries, which made substantial progress in the reduction of poverty, created productive off-farm opportunities which paved the way for a reduction of poverty (Stern, 2001). There has been spurt in the growth of non-farm enterprises in China since liberalization around late nineteen seventies when off-farm employment increased at

a rapid rate of 12 per cent per annum, currently employing 31 per cent of the rural labour force (ibid). As such, rural enterprises can become both an engine of growth as well as major contributor to the reduction in rural poverty. What factors are critical for facilitating this transition in rural India? What are the required policy reforms and their companion institutional arrangements?

It is to be recognized that as agriculture gets integrated with the world market, it will experience technological and economic change. How to utilize the opportunities created by such disequilibria for alleviating poverty? Among the Asian countries, Vietnam is an example in which poor farmers and owners of small enterprises benefited from rapidly growing exports of rice, garments, footwear, etc. Here the link between exports and poverty reduction is strong. Domestic economy will be exposed to large variations in the world market conditions, which are far more volatile than in India, for staple food. There will also be unanticipated downslides hurting the poor. Proper regulators and institutional mechanism should be put in place to handle them. These are some of the challenges facing policy makers in India.

Over the years, India has made significant progress in the production of food. The annual growth rate of food production including non-cereal food increased from 2.1 per cent during the nineteen-sixties to three per cent in the subsequent decade and further to 3.8 per cent during the nineteen-eighties. Food production barely kept pace with the population in the two decades prior to the nineteen-eighties but in the nineteen-eighties per capita food production increased at a satisfactory rate of 1.6 per cent per annum. There seems to have been some diversification in food production in the nineteen-eighties on account of the impressive growth of output of oilseeds and livestock products. The diversification of food production more or less conforms to the growth pattern of domestic demand.

India achieved near self-sufficiency in the availability of foodgrains by the late seventies and early eighties. The annual growth rate of foodgrain production increased from 2.3 percent during the nineteen-sixties and nineteen-seventies to 2.9 per cent in the eighties (Bhalla and Singh 2001). It is particularly noteworthy that India could build enough buffer stocks to cope with year-to-year variations in foodgrain production. Field studies reveal that during the 1987 drought, PUS supplies and the availability of consumption credit enabled drought affected villages to maintain their consumption at the same level as in normal years (Acharya, 1989; Bidinger, et al., 1990). The annual fluctuations in the per capita availability of foodgrains declined in the

eighties and nineties when compared to the previous period (Rao and Radhakrishna, 1997) and there was a decline in the seasonal as well as regional variations in the prices of foodgrains (Bhalla, 1994).

After an impressive performance in the eighties, the food economy exhibited sluggish growth in the nineties. The growth of food production slipped to 2.72 per cent per annum from 3.77 per cent (Radhakrishna 2002). What is disquieting is that the annual growth rate of foodgrains production at 2.08 per cent has been lower than the historical growth rate and has barely kept pace with population growth. Ironically, even at the slow growth rate of foodgrains production, the supply has outstripped the effective market demand and the nineties has seen a rapid increase in the stock of foodgrains held by the government. FCI is carrying a buffer stock of more than one third of the annual consumption of foodgrains. Disposal of stocks has become a cause of concern. The domestic supplies are far more than adequate to prevent food gaps.

The real cereal price which showed a decline in the seventies and eighties, registered a rise in the nineties. Cereal prices have registered a downward trend after 1999-2000. An increase in cereal price significantly reduces the calorie intake of the poor as is brought out by available food price elasticity estimates. This shows that for the poor, the food (calorie) price elasticity is numerically large. For the very poor, the cereal price is estimated to be 0.84 for rural areas and 0.72 for urban areas (Ravi 2000). The upward trend in the real price of cereals in the nineties had coincided with a slowdown in the decline of poverty. Moreover, in high inflation years, cereal prices rose even higher (ibid.). Despite favourable terms of trade for agriculture and normal behaviour of the Southwest monsoon, the growth of food production has been sluggish during the nineties and the crop diversification in the poorer rain fed areas from coarse cereals towards oilseed crops has come to a halt. The sluggish growth could be attributed to:

- a) decline in public investment in agriculture especially for irrigation sector witnessed since the early nineteen-eighties (the annual growth rate being 4.0 per cent in nineteen-eighties, 1.9 per cent in the nineteen-nineties), which slowed the expansion in irrigation;
- b) low public investment on R&D (0.5 per cent of agricultural GDP as against the one per cent of agricultural GDP recommended by the ICMK) has affected the technological progress;
- c) decline in the annual growth rate of fertilizer use from 7.8

per cent in the nineteen-eighties to 4.3 per cent in the nineteen-nineties;

- d) deceleration in the annual growth rate of area under HYV from 4.9 per cent in the nineteen-eighties to 2.8 per cent in the nineteen-nineties;
- e) the intensive cultivation and rice-wheat rotation year after year has tended to impoverish soil nutrients in the Northwestern region;

The substantial increase in the minimum support prices for rice and wheat coupled with almost free supply of electricity, though shielding farm incomes from the deceleration in agricultural growth, has resulted in the excessive allocation of land to high cost, water-intensive rice and wheat. There has been a shift of areas from coarse grains to wheat, oilseeds and other crops although their yields have improved.

India has to address the current concerns of decline in public investment, low public investment on R&D and policy distortions and also meet the challenge of limits to growth imposed by land and water resources. Of late, though private investment has registered an upward trend public investment has shown no rise. It should be underscored that public and private investments are complementary and private investment is not a perfect substitute for public investment and normally the positive externalities cannot be internalized.

NSS consumption data reveal that that the per capita consumption of cereals has been declining since the early seventies (Radhakrishna and Ravi, 1992, Rao, 2000). Between 1970-71 and 1997-98, the per capita cereal consumption declined by 0.72 per cent per annum in the rural areas and by 0.74 per cent per annum in urban areas. The cereal consumption in rural areas fell from 15.35 kgs per capita/month in 1970-71 to 12.5 kgs in 1997-98 while the same in urban areas fell from 11.36 kgs to 10.4 kgs during the same period. The declining trend is visible across all the states with the exception of Kerala, West Bengal and Orissa. The decline is very prominent in Punjab and Haryana where the decline is as much as about six kgs per capita per month in rural areas. What is most striking is the low per capita intake of cereals in the most prosperous Punjab state (9.8 kgs in rural and 9.7 kgs in the urban areas in 1997-98) and the converse in the backward state of Orissa (16 kgs in rural and 13.25 kgs in urban areas). The striking decline in cereal consumption is attributed to changes in consumer tastes and preferences towards superior food items as the incomes of the household increases (Radhakrishna and Ravi, 1992). This is partly due to the diversification of the food basket in Punjab and Haryana in

favour of superior non-cereal foods, particularly milk and milk products, meat, vegetables and fruits, etc. More recently, Rao (ibid.) has shown that the decline has been sharper in the rural areas where improvements in rural infrastructure made other food and non food items available to the rural households and hard manual work is greatly reduced in agriculture due to farm mechanization. He further observes that a reduction in the intake of foodgrains on this account should not be taken as a deterioration in human welfare.

Data from NSS surveys show that per capita consumer expenditure at constant (1990-91) prices, the key determinant of food consumption, steadily increased around 1.5 per cent per annum in both rural and urban areas during seventies and eighties. During the nineties the growth rate marginally declined in rural areas and nearly doubled in urban areas. The pattern is more or less the same for all the expenditure classes. It appears that in the nineties the liberalization process benefited the urban households more than the rural ones. In fact, the rural classes did not gain and their per capita food consumption declined. For instance, the per capita food expenditure which increased at 0.89 per annum during seventies and eighties declined at 0.88 per cent per annum. But the increase in consumption expenditure in urban areas did not reflect in food expenditure. Per capita food expenditure at constant prices in urban areas increased around 0.9 per cent per annum during the first two decades while it declined by as much as the same per cent per annum in rural areas and remained stagnant in urban areas during the last decade.

Per capita cereal consumption expenditure at constant prices declined both in rural and urban areas throughout this period for all the expenditure classes, except the bottom 30 per cent during the first two decades. The decline is more in rural areas than in urban areas and during the first two decades than during the last decade. The fall in rural per capita cereal consumption expenditure may be due to shift in consumption pattern from cereal items to superior food items like milk and milk products, meat, fish, eggs, fruits and vegetables as the real rural household income goes up.

The fall in cereal consumption is over-compensated by increased consumption of non-cereal foods during the first two decades and as a result, per capital calorie intake increased at 0.2 per cent during this period both in rural and urban areas. However, this did not continue during the nineties when the per capita calorie intake fell by about 0.4 per cent in urban areas and by twice as much in rural areas. It implies that the consumption of non-cereal food items could not compensate the loss of energy intake due to fall in cereal consumption during this period.

In the case of the bottom 30 per cent of the population, cereal and nutrient intake increased at a very moderate rate in the preceding two decades but declined in the nineteen-nineties. There has been a substantial diversification of the consumption basket of the poor in favour of non-cereal food items such as milk and milk products, sugar and gur and other food items. These tendencies would not be a major cause of concern if the intake levels were nutritionally adequate. The per capita intake of the bottom 30 per cent at 1600-1700 K. Cal/day, falls short of the required norm.

Micro nutrient deficiency is equally common among the population, more so in the vulnerable groups such as women and children. These two groups are more prone to certain deficiencies than the adult male population. Iodine deficiency is common among the populations living in the sub-Himalayan region and other hill regions of the country. Vitamin-A deficiency, which leads to preventable blindness in the children is more common among the children from the rural households. Iron deficiencies are widely prevalent among the pregnant women. As per the latest NFHS-2 survey, about half of the pregnant women suffer from iron deficiency and consequent anemia — 35 per cent suffer from mild anemia, 15 per cent from moderate and two per cent from severe anemia.

Even though the question of desirable diet from nutritional perspective is still controversial, we can make certain policy options to overcome the nutritional deficiencies. The most important problem to be attended is to increase the energy intake of the bottom 30 per cent of the expenditure class. The deficiency of energy intake of the bottom 30 per cent can be rectified by increasing agricultural productivity in rain fed areas, making available food at an affordable price through the public distribution system (PDS), and food for work programme. The micro-nutrient deficiency can be cost-effectively rectified by supplementary nutritional programmes to the children and the expectant and lactating mothers.

However, it should be recognized that improvement in food consumption is a necessary condition but not a sufficient condition for overcoming the problem of malnutrition in India. Apart from the inadequate food consumption, the other important factors influencing nutritional status are high incidence of gastro-intestinal, and respiratory infections; and behavioural factors such as faulty breast-feeding, and weaning practices.

The National Nutrition Monitoring Bureau (NNMB) and National Family Health Survey (NFHS) provide data on nutritional status, general

as well as vulnerable groups, using Gomez classification (in case of children) and bio-mass index (BMI) classification in the case of others. The NNMB data show that the instance of under-nutrition among children and chronic energy deficiency (CEU) among other population, even though slowly declining is still alarmingly high in the late nineties and their incidence is higher than that of income poverty.

The percentage of children suffering from severe malnutrition declined from 15.0 in 1975-79 to 5.4 in 1994. If moderate and severe malnutrition is taken together the percentage of children suffering from malnutrition declined from 62.5 to 53.3 per cent during the same period¹. The decline in the percentage of severely malnourished children is visible across all National Nutrition Monitory Bureau (NNMB) sample states except Orissa. The decline is very striking in Kerala and Tamil Nadu. In spite of some improvement in nutritional status, nearly half of the rural children are suffering from malnutrition².

There are substantial inter-state variations in the malnutrition levels of children under-five years; in 1994, the percentage of moderately and severely malnourished children varied between 34 in Kerala and 57 in Gujarat. In terms of nutritional status of children, middle-income states such as Kerala, Tamil Nadu and Andhra Pradesh performed better than higher-income states like Gujarat and Maharashtra. Not surprisingly, poorer states such as Madhya Pradesh and Orissa showed the worst performance. It is worth noting that with low food energy intake, Kerala and Tamil Nadu could perform better possibly due to the successful midday meal programme in the latter. National Family Health Survey (NFHS) data also reveal a similar pattern except for Gujarat³.

NNMB data in 1996 indicate that 49 per cent of the rural adult

¹Based on Standard Deviation Criterion (i.e., Children with weight less than 2 SD of the NCHS medium value are treated as malnourished) 63 per cent of the children had underweight in 1994.

²Children of the poor communities suffering from malnutrition not only do not achieve full genetic growth potential and end up as adults with small body size but are also exposed to a greater risk of child mortality. Pelletier et.al. (1996) identify malnutrition as a major cause of death in developing countries. Their results reveal that malnutrition, by virtue of its synergistic relationship with infectious disease has a powerful impact on child mortality in India.

³While all the NNMB repeat survey reveal poor record of rural Gujarat in nutritional status, NFHS reveals better performance. This needs further examination.

population in the eight sample states suffered from Chronic Energy Deficiency (CED) and the extent of malnutrition among the adults was almost as much as that of children. The regional patterns are similar to those of malnutrition among the children (NNMB). CED was found to be lower in Kerala (33%) and Tamil Nadu (37%) and higher in Gujarat, Maharashtra and Madhya Pradesh (above 50%).

Inter-state variations reveal weak correlation between nutritional status and per capita SDP as well as between nutritional status and per capita calorie consumption. The state-level mismatch between food intake and nutritional status could be attributed to the differences in education, health, availability of safe drinking water, environmental sanitation and personal hygiene which intervene between the food intake and nutritional status. A better environment would reduce food wastage due to infections and diseases. The better nutritional status at a comparatively lower level of food consumption in Kerala and Tamil Nadu could be due to the better health care and nutritional interventions⁴.

Does all this imply that calorie intake matters little? While empirical evidence tends to suggest a positive association between calorie intake and nutritional status, the responsiveness is likely to be affected by the factors relating to health and environment. What is a desirable diet from a nutritional perspective thus remains unsettled in view of the controversies. It is also unclear as to how much of the malnutrition is due to an inadequate diet and how much due to the environment⁵.

The PDS, in its present form, a producer price-support-cum-consumer subsidy programme was evolved in the wake of foodgrain shortages of the sixties. It was then mainly confined to urban and food deficit areas with its emphasis primarily on price stabilization till the late seventies. The welfare dimension of the PDS has gained importance since the early eighties and its coverage has been extended to rural areas in some states as well as to areas with a high incidence of poverty.

⁴Kerala and Tamil Nadu have better health care and educational facilities and coverage of the PDS. The per child public expenditure on nutrition as well as per capita public expenditure on social sector have been high in these two states for the past few decades.

⁵Sekler (1982) observes that severe malnutrition is caused by nutrient intake deficiency and the "moderate" and "mild" malnutrition are due to environmental factor. He argues that former problem calls for nutritional intervention and the latter environmental intervention. There is as yet, not much empirical bases for his position.

The food subsidy of the Central Government, at Rs.17,612 crore accounted for 0.89 per cent of GDP in 2001-02.

In the wake of economic reforms, the PDS is perceived to be the main safety net to protect the poor from potential short-run price-induced adverse effects of economic reforms.

The recent large increases in procurement prices and the consequent upward revisions in the central issue prices have had an adverse impact on the efficacy of the PDS. The price advantage to the farmers has resulted in the parastatal Food Corporation of India (FCI), buying up more wheat and rice than it can manage for the simple reason that it has no option but to buy whatever is offered to it at the minimum support price. The substantial increases in minimum support price (MSP) benefited mainly the farmers with marketable surplus from Punjab, Haryana, Western UP, and Andhra Pradesh, which account for 80 per cent of wheat and rice procurement. In other states without food procurement, wheat and rice have been sold at less than MSP as market could not absorb all the market arrivals at high MSP.

The procurement of cereals for the central pool was 35 mt in 2000-01 and 46 mt in 2001-02 as against the off-take of cereals of 11 mt in 2000-01 and 12 mt in 2001-02. Buffer stocks reached uneconomic levels of 46 mt on 1 January 2001 which further increased to 58 mt on 1 January 2002, far exceeding the norms. This explains the recent abnormal increase in the carrying cost of buffer stocks. The carrying cost of buffer stocks accounted for 42 per cent of the central food subsidy of Rs. 17,612 crore in 2001-02.

It is important to ask whether the poor have benefited from the PDS and what is the efficacy of the PDS in distributing food to the poor. Many empirical studies have shown severe biases in the inter-regional distributions of the PDS supplies. States with the high incidence of poverty such as Bihar, Orissa and Madhya Pradesh received a lower share. Further, with few exceptions, the PDS remained an untargeted programme (Parikh, 1988, Jha, 1991; Mahendra Dev and Suryanarayana, 1991; Radhakrishna, et al., 1997).

The PDS seems to suffer from an urban bias in some of the states like Jammu & Kashmir, Karnataka, Maharashtra and West Bengal, where the proportion of cereals purchased from PDS in the total purchases is very high in urban areas. Among these states, the urban bias was extreme in Jammu & Kashmir and West Bengal. The major problems of PDS are universal entitlement and regional mistargeting rather than the urban bias (Radhakrishna et al., 1997).

The PDS is not functioning at all in the states with high

concentration of the poor, due to the lack of the desired initiative on the part of the state governments (ibid). The prospect of these states providing safety nets to the poor on the basis of spending from their own resources would seem to be bleak since they are facing a severe fiscal crunch. The recent attempts to improve the targeting of the PDS supplies have not yielded the desirable results.

In comparison with other anti-poverty programmes, PDS has been found to be the costliest (ibid). PDS has been found to deliver 100 kcal of nutrients at three times the cost under the direct nutrition programmes like integrated child development scheme (ICDS). In terms of cost of per rupee income transferred, PDS has also been found to be inferior to employment programmes.

The food demand will be driven by income and population growth, rate of urbanization, relative food prices and income distribution. Food demand projections have been made using the piece-wise linear expansion system (LES) model developed at Centre for Economic and Social Studies (CESS), Hyderabad. The projections given below assume real expenditure growth of five per cent per annum between 2000 and 2020, increase of population to 1.343 billion in 2020, rate of urbanization and rural-urban disparity consistent with the historical trends and the inequality in the income distribution and relative prices same as in 1998. Under these assumptions, household food demand is projected to grow at around 4.5 per cent per annum between 2000 and 2020, at 2.2 per cent for cereals, four-five per cent for milk and milk products, meat, fish, eggs, fruits, vegetables, sugar and gur and at 3.4 per cent for edible oils and pulses,

At the current cereal intake of 143 kgs/per capital/annum, the cereal requirement for household consumption will be around 192 million tons in 2020. The requirement will be more if the increase in household demand due to income growth is also considered. At five per cent growth in total expenditure, and population of 1.343 billion, the household cereal demand works out to 221 million tons in 2020 and for foodgrains 241 million tons. With a grossing factor of 1.14, the total (household plus non-household) demand for cereals may be around 253 million tons. The above cereal demand projections are made with the assumption of stability of tastes and preferences in food consumption. If the secular trend of foodgrain production as witnessed during the last two decades is sustained, the production of additional 57 million tons of cereals in the coming two decades may not be out of reach for India. The demand projections may turn out to be on a higher side if the recent trend of change in consumer preferences away from cereal consumption

persists. If the present change in the consumer preferences in food consumption continues, the demand for superior food items such as dairy and animal husbandry products, sugar, fruits and vegetables are expected to grow much faster. The estimated demand in 2020 for milk and milk products will be around 166 million tons, edible oils 11 million tons, meat, fish and eggs 11 million tons, sugar and gur 25 million tons and fruits and vegetables 113 million tons. However, there may be a significant growth of demand for feed-grains as milk consumption is likely to increase at a high rate. The balance of 35 million tons over and above the direct household cereal consumption can absorb any reasonable increase in feed-grain demand. The challenge to food security comes mainly from the slow growth of purchasing power of the people in the rain-fed eco-systems. They benefit little from increased food production in irrigated areas. Efforts must be made to help them by developing drought-resistant seeds, cost-effective dry-land farming techniques. In addition, rain water harvesting techniques, moisture conservation, inter-cropping are imperative to stabilize and improve the production in the dry-land areas. It is also essential to explore the possibilities for cost-effective expansion of irrigation. Academic pricing of water, electricity and fertilizer and rationalization of minimum support prices would augment resources available for investment in irrigation, rural infrastructure and prevention of soil degradation.

If cereal pricing is left to the market forces, government playing the facilitating role, land will be released from rice and wheat cultivation to meet the growing demand for non-cereal crops such as oilseeds, fruits and vegetables in accordance with diet diversification. This policy would facilitate agricultural diversification in tune with emerging demand patterns.

The Indian agricultural scene has witnessed changes following the economic reforms in the nineties as well as with the establishment of World Trade Organization (WTO) in the mid-nineties. While the world trading environment has become more liberal, transparent and rule bound than before, it would have become even more favourable had the developed countries adhered strictly to the Uruguay Round agreement and permitted better access to imports from developing countries.

India seems to be a victim of 30 years of agricultural policy with an exclusive focus on spreading HYV seed fertilizer technology in a few potential regions for achieving food self-sufficiency. Consequent to the adoption of this strategy India achieved self-sufficiency in foodgrains by the mid-seventies and is currently facing the problem of disposing off huge foodgrains stocks. It is observed that self-sufficiency in foodgrains

is partly due to the weak purchasing power of the poor. As a remedial measure it is suggested that India should diversify its agriculture and get a foothold in the world food market. The diversified and accelerated agricultural growth would enhance the food security by improving the purchasing power of the poor.

However, even after the establishment of WTO, the agricultural trade did not improve much during the transition period since agricultural prices have sharply declined in the world markets and there has been no reduction in the degree of protection by the developed countries. The protectionist measures are coming in the form of non-tariff measures and preventing the entry of agricultural commodities from developing countries by resorting to anti-dumping restrictions in one form or another. Some concessions under the Green Box do not favour developing countries. Some of these concerns should figure in the next round of negotiations.

The deceleration in the agricultural growth during the nineties is more due to internal factors such as decline in public investment in agriculture (irrigation and research), slow down in the growth in fertilizer consumption, slow rise in the expenditure on agricultural research and so on. It is argued that if India is to benefit from the emerging opportunities opened up by liberalized agricultural trade, major reforms have to be undertaken on the domestic front. It is recognized that cereal prices in the world market which have declined during the nineties are unlikely to rise on account of reforms in the developed countries. India should depend on cost-reducing technology through domestic reforms, promote agricultural diversification and put pressure on the developed countries to open up their markets for value added agricultural products.

While formulating an appropriate agricultural strategy some key issues of concern are:

How to utilize the emerging opportunities from liberalized trade for the diversification of economic activities in rural areas?

What reforms are needed to improve the purchasing power of the poor?

What type of safety nets are needed to protect the domestic food security from the fluctuations in international agricultural prices which are more volatile than domestic prices?

Out of the 363 million labour force in 1999-2000, 337 were employed and 26.6 million (2.2%) based on CDS as a measure of employment and unemployment, reported unemployed (Planning Commission, 2002). The primary sector — agriculture, animal

husbandry, fisheries and forestry — employed 238 million (57%) of the workforce, unorganized sector 309 million (42%) and organized sector 28 million (8%). About two thirds of the workers in the organized sector were employed in the public sector. Employment in the organized sector increased slowly from 24 million in 1983 to 28 million in 1999-2000. Recent estimates show that the employment elasticity was 0.21 in the unorganized sector whereas, it was as low as 0.066 in the organized sector (Planning Commission, 2002). Evidently, unless some spectacular changes occur, the organized sector's shine in the absorption of the additions to the labour force will remain small in the near future. As a result, a major part of the additions to the labour force will have to be absorbed in the unorganized non-agriculture, as agriculture is already over crowded. However, as argued by the recent Special Group of the Planning Commission, appropriate policies and programmes need to be put in place to create a level playing field for the unorganized sector and enable it to withstand the international competition and implementation of public employment programmes. Real wages improved in the post-reform period despite deceleration in agricultural productivity and slow down in the rural non-farm employment. The growth rate of daily real wage earnings of rural male agricultural casual labour increased from 1.36 per cent during 1987-93 to 2.80 per cent during 1993-99 and that of their female counterparts increased from 2.34 per cent to 2.94 per cent during the same period. The rising real wages led to labour substitution in irrigated agriculture and made rain fed farming unremunerative.

There has been a debate whether slow growth of agricultural employment was a consequence of increasing wages or not. Bhalla (1993) feels that there was a significant reduction in mandays per hectare due to mechanization adopted partly in response to rising real wages from mid-seventies, and partly to meet time schedules in sowing and harvesting in crop cycles and the availability of concessional farm machinery loans. Econometric studies revealed a decline in labour demand due to an increase in real wage: a one per cent increase in real wage would reduce labour demand by 0.4 per cent in rice cultivation, by 0.35 per cent in wheat and by 0.14 per cent in maize (Kumar, 1998).

A balanced assessment of the factors responsible for rising wage rates during the nineteen-eighties and the consequent decline in rural poverty is due to: high agricultural growth, opening of rural non-farm activities, provision of public employment programmes on a huge scale, and union interventions in the labour market (Kannan, 1995; Narasimha Reddy, 1995; and Sharma and Kumar, 1995). In the poorer rain fed areas

in which agriculture stagnated during the eighties, real wage improvement as well as reduction in poverty could be attributed to the expansion of employment programmes and political mobilization of labour by the unions. It is a moot question whether such improvement can be sustained in the absence of agricultural growth. It is only when rising labour productivity is accompanied by an opening up of employment opportunities in the rural non-farm sector, as happened in some regions in the nineteen-eighties, the trickle down effect would be stronger. While an improvement in labour productivity would create enabling condition for higher wages, it is the bargaining power of labour which translates the productivity improvements into higher wages.

Some of the worrisome trends in the labour market which have been persisting since the beginning of planning are: inadequate growth of productive employment in rural areas, casualization of mass of rural workers without a safety net, feminization of agricultural labour with low wages and persistence of child labour. In dry land areas, a continuing bias against females in the labour market persists. Also, in these areas, many agricultural labourers are underemployed and wages paid are very low, much lower than the minimum wages. Ordinarily, one would not be willing to supply labour for less than the minimum wage, when one knows that under the law one is entitled to get minimum wage. But a person is forced to work at less than the minimum wage rate out of compulsion arising from hunger and poverty.

Incidence of child labour is high in India and the estimated number varies from 17.5 million to 44 million (ILO). It is estimated that one-third of the child workers in Asia are in India. What is disquieting is the number of child workers in the labour force is increasing in India while it is declining worldwide. The largest number of child workers are engaged in agriculture. Child employment benefits the employer but adversely affects the poor as a class although it may supplement the income of the household supplying child labour. The poor are made worse off as employment of children brings down the wage levels. It is a paradox that high levels of adult unemployment co-exist with high incidence of child labour in our country.

The number of inter-state distressed rural migrant workers is estimated to be around 10 million (Sankaran, 1994). Green revolution significantly increased remunerative wage employment in pockets of assured irrigated areas while employment opportunities nearly stagnated in the vast rain-fed semi-arid areas. In the latter areas, wages are low, underemployment of workforce is rampant and incidence of child and female labour is high. Low wage rates, coupled with under-

employment, are causing inter-state distress migration of farm workers from dry land areas of Bihar, Orissa, Chattisgarh, Andhra Pradesh (Mehboobnagar district) and Tamil Nadu (Salem district). Rural migrant workers are preferred by the employers even in areas of abundant labour supply because of the greater control that can be exercised by them over the migrant labour without regard to any social responsibility (ibid). A graphic sketch of the miserable plight of inter-state migrant labour is aptly drawn by Sunkaran (1994). He observes that "the time they spend in their own village is aimed at keeping them alive until the next recruiting season, often with the help of advances of money by the recruiting agents and while on migratory work the time is spent on keeping them alive until they return to the village."

Government legislations (e.g., minimum wage, social security legislation and social institutions (e.g., labour unions) have been in existence in India to protect the labour. They have been improving wages and socio-economic position of the poor and the under-privileged sections in the labour markets (Kannan, 1995, Narasimha Reddy, 1995, Sharma and Kumar, 1995). Labour unions in Kerala were pioneers in India to achieve minimum wages, eight hours workday and abolition of some other forms of exploitation even before the time of state formation in 1956 (Kannan, 1995). Labour mobilization in Bihar since the early nineteen-seventies raised their wages as well as their socio-political consciousness, and improved their socio-economic conditions (Sharma and Kannan, 1995). Some NGOs in Andhra Pradesh were successful in mobilizing agricultural labour against the powerful landowners, moneylenders, traders and contractors to secure better wages with their new-found bargaining power (Narasimha Reddy, 1995).

The central government, over the years, developed a wide spectrum of employment programmes to create additional employment during the lean seasons of drought years. However, their contribution was little compared to the magnitude of the under-employment problem. The contribution of all employment, programmes, including urban programmes to total employment has been just about two per cent. Employment programmes in the past were not integrated with development of agriculture and rural infrastructure. While they provided residual employment, they did not enhance the labour absorbing capacity of the rural economy. Delivery systems of these programmes have remained essentially top-down ventures heavily dependent on an inept bureaucracy. Though huge sums were spent on these programmes over time, their qualitative achievements in terms of decentralized decision-making, people's participation, and creation of durable assets were rather disappointing.

Among the employment schemes, the Maharashtra Employment Guarantee Scheme (EGS) which provides every adult a statutory right to get guaranteed employment for doing unskilled manual work and to receive wages, has been more successful in generating additional purchasing power among the poorest by providing gainful employment on local public works during drought years. The programme is self-targeting as only poor, particularly female workers, turn up for manual work. The EGS enabled the poor to survive with dignity and avoid abject poverty. However, its implementation is presently saddled with over bureaucratization and excessive centralization with an almost complete absence of people's participation.

During the nineties, the tendencies of slowing down of rural employment growth and slow down in the growth momentum of rural non-agricultural activities appear to have affected the pace of decline in rural poverty and widened rural-urban disparities. We shall review the trends in total expenditure utilizing the NSSO Consumer Expenditure data of last three decades (i.e., 1970-71 to 1998), based on the detailed study by Ravi (2000).

Rural per capita total expenditure (PCE) per month at 1990-91 prices which was Rs.158 in 1970-71, increased steadily to Rs.213 by 1989-90 and declined sharply by five per cent to Rs.202 in 1990-91. During the nineties, it fluctuated between Rs.202-214, except in 1997 when it reached the highest level of Rs.235. Its annual trend growth rate fell to 1.2 per cent during the nineteen-nineties from 1.5 per cent during 1970-89. In contrast, there has been acceleration in the trend growth rate of the same in urban areas where the annual growth rate was 1.45 during 1970-89, which almost doubled to about 2.8 per cent during the nineteen-nineties. Clearly, rural-urban disparities have widened during the nineties. During 1970-89, the rural-urban differential expressed as a ratio of the urban PCE to that of the rural, increased at a moderate rate of 0.1 per cent per annum, which accelerated to 1.6 per cent during the nineteen-nineties. The benefits of better income growth during the nineties seem to have benefited the urban areas more than the rural, thus aggravating the rural-urban divide. This is in conformity with the finding that the employment growth during the nineteen-nineties concentrated in urban areas (Bhalla, 2000).

Expenditure inequality widened in both rural and urban areas, though statistically not significant in rural areas. Gini coefficient estimate of urban consumer expenditure increased at a high rate of 1.4 per cent per annum during the nineties. However, as will be seen, the urban poor also gained substantially since the increase in per capita expenditure more than compensated the adverse effect of rising inequality.

The rural bottom 30 per cent experienced a deceleration in the growth rate of their per capita expenditure during the nineteen-nineties. In contrast, their urban counterparts had a higher growth rate of per capita expenditure despite an increase in the expenditure inequality. While the growth rate of per capita expenditure of the rural bottom 30 per cent declined from 1.71 per cent per annum, during 1970-89 to 1.19 per cent during the nineteen-nineties, the same for their urban counterparts increased from 1.44 per cent to 1.70 per cent during the same period. Though all the urban classes gained during the nineteen-nineties, the top 30 per cent gained the most.

Rural poverty declined at an annual rate of 2.5 per cent during the seventies and eighties, most of it during the nineteen-eighties and at 0.73 per cent during the nineteen-nineties. Poverty levels declined steadily from 57 per cent in the nineteen-seventies to 33 per cent in 1989-90. During the seventies and eighties, per capita real expenditure of rural households registered a significant increase from Rs.158 in 1970-71 to Rs. 213 in 1989-90. Its subsequent sharp fall during 1990-91-1992 had an adverse effect on rural poverty, pushing the poverty ratio again to 44 per cent in 1992. Thereafter, it remained more or less at 40 per cent except in 1997 when it declined to 33 per cent. Since the rate of decline of rural poverty has been lower than the rate of growth of rural population during the nineteen-nineties, the absolute number of poor would have increased in the last decade. On the other hand, urban poverty declined at the rate of two per cent p.a. during the seventies and the eighties and at 3.05 per cent during the nineteen-nineties. The acceleration in the decline of urban poverty is due to the high-income growth achieved during the period of liberalization, which seems to have percolated to the bottom through the trickle down effect. The decline of urban poverty would have been sharper had there been no worsening of inequalities. The notion that poverty is getting concentrated in the rural areas is clear from the preceding analysis. The widening rural-urban disparity in incomes should be a matter of great concern in a country like India.

Both, productivity improvement in agriculture and growth of non-farm unorganized sector are essential for long-term poverty alleviation and ensuring food security. This has been the process of transition toward an industrial economy in many East and South East Asian countries which experienced sharp reduction in poverty (Barker and Dawe, 2001). Their rice economies experienced significant increase in productivity and hence, real wages and consequent farm mechanization (ibid). The resources saved in rice growing have been channelled into non-rice sectors which contributed to substantial employment

expansion. In contrast, there is no such significant shift of resources in India from rice/wheat to other sectors.

Still large number of rural poor particularly in marginal environment survive at the brink of subsistence, depending on uncertain employment and meagre wages. The real challenge lies in increasing their purchasing power by expanding remunerative employment. This has to be achieved in the face of increasing natural environmental degradation due to population pressure. As green revolution favoured mainly irrigated areas, future research should be targeted to develop drought-resistant seed varieties benefiting farming in areas with scanty rainfall. Innovations in dry-land farm practices such as rain-water harvesting, moisture conservation, inter-cropping, and adoption of drought-resistant seed varieties are imperative to enhance and stabilize agricultural production in the rain fed areas.

It is widely accepted that India needs an agricultural growth rate of 4.0-4.5 per cent to reduce poverty significantly (Rao and Radhakrishna, 1999). At this growth rate, agricultural development would diversify into dairying, animal husbandry, fisheries, floriculture, horticulture, etc. This would spur the growth of agro-processing industries in rural areas to meet the domestic as well as export demand. The rice and wheat farmers should be induced to look for new sources of incomes in diversified agriculture to compensate the fall in incomes in rice and wheat cultivation. As the world prices of rice and wheat are already lower than their domestic prices and are not likely to fall, the domestic prices of rice and wheat will tend to fall to align with the world prices. Moreover, the world market for rice is very limited and confined to superfine varieties. As the demand for cereals is mainly population driven, whose growth rate is slowing down, it would be prudent to divert resources from rice and wheat cultivation to high valued crops.

Irrigated agriculture has now reached the take-off stage where growth with good spread and coverage can be generated through normal market mechanism and right policy mix. Since income improvement in these regions is likely to increase the demand for the products of animal husbandry, fruits, vegetable and processed foods, marketing and agro-processing should receive the attention of policy makers. Public spending in irrigated regions should be very selective, facilitative and confined to those critical areas which would supplement private initiative. As the demand for skilled labour is likely to move ahead of its supply in rural areas, support programmes for skill development may be organized in newly emerging activities in response to economic restructuring. In short, a strategy combining promotion of agricultural

growth, productive non-farm employment and high levels of social development would be needed to trigger off labour-intensive growth in rural areas.

Poverty alleviation programmes should go beyond their present minimal concerns of providing protective “safety nets”. There should be a substantial investment in human resource development for enhancing people’s inherent earning capacity. Along with this, there should be attempts to create more economic space for the poor by equipping them with assets and skills for livelihood outside agriculture. All this should contribute to the generation of self-reliant employment. Strengthening of local institutions to empower people, as was done by Anna Hazare in Ralegaon Siddhi Village, political mobilization of people by NGOs and social activists for ensuring statutory minimum wages, and prevention of discrimination in the labour markets as was done by labour unions in Kerala need to be emulated elsewhere on a much larger scale. Or else, the new economic policies would only benefit the already rich and the privileged and most likely bypass the poor. It needs to be emphasized that the on-going economic reforms by themselves may not lead to growth with equity. It is desirable that a new set of measures for human development is placed on the national agenda with local institutions and labour unions taking initiative for their effective implementation.

(This lecture is based on two of the author's recent papers.)

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Prices and expenditure elasticities of calorie intake and broad commodity groups in urban areas

Elasticity with respect to Prices					
	Cereals	Non-cereal food	All Food	Non-Food	Expenditure Elasticities
CEREAL					
Very Poor	-0.72	0.02	-0.71	0.01	0.70
Moderately Poor	-0.22	-0.00	-0.22	0.04	0.18
Non-poor lower	-0.11	-0.01	-0.11	0.02	0.09
Non-poor high	-0.15	-0.02	-0.16	0.03	0.13
All groups	-0.20	-0.01	-0.21	0.03	0.18
ALL FOOD					
Very Poor	-0.37	-0.59	-0.96	0.01	0.95
Moderately Poor	-0.20	-0.57	-0.76	0.14	0.62
Non-poor lower	-0.13	-0.62	-0.75	0.14	0.61
Non-poor high	-0.07	-0.58	-0.65	0.13	0.52
All groups	-0.12	-0.56	-0.68	0.12	0.56
CALORIES					
Very Poor	-0.57	-0.22	-0.79	0.01	0.78
Moderately Poor	-0.20	-0.27	-0.47	0.09	0.38
Non-poor lower	-0.11	-0.27	-0.38	0.07	0.31
Non-poor high	-0.10	-0.31	-0.41	0.08	0.33
All groups	-0.16	-0.29	-0.44	0.08	0.37

Price and expenditure elasticities of calorie intake and broad commodity groups in rural areas

Elasticity with respect to Prices					
	Cereal	Non-cereal food	All Food	Non-Food	Expenditure Elasticities
CEREAL					
Very Poor	-0.88	0.01	-0.87	-0.01	0.87
Moderately Poor	-0.43	-0.01	-0.44	0.01	0.44
Non-poor lower	-0.21	-0.02	-0.22	0.00	0.22
Non-poor high	-0.19	0.00	-0.19	0.07	0.11
All groups	-0.34	-0.00	-0.34	0.03	0.32
ALL FOOD					
Very Poor	-0.51	-0.47	-0.98	-0.01	0.99
Moderately Poor	-0.36	-0.52	-0.87	0.01	0.86
Non-poor lower	-0.24	-0.54	-0.78	0.01	0.77
Non-poor high	-0.12	-0.74	-0.86	0.35	0.51
All groups	-0.24	-0.56	-0.81	0.14	0.67
CALORIES					
Very Poor	-0.74	-0.16	-0.90	-0.01	0.91
Moderately Poor	-0.40	-0.20	-0.60	0.01	0.59
Non-poor lower	-0.22	-0.24	-0.45	0.01	0.45
Non-poor high	-0.16	-0.36	-0.51	0.21	0.31
All groups	-0.29	-0.26	-0.55	0.08	0.48

Table I
Annualized compound growth rates of food and
agricultural production

(Per cent per annum)

Year	Food Production		Agricultural production	
	Aggregate	Per capita	Aggregate	Per capita
1961-63 - 1971-73	2.11	-0.10	2.03	
1971-73 - 1981-83	3.00	0.84	3.20	0.94
1981-83 - 1991-93	3.77	1.62	3.82	1.67
1991-93 - 1997-99	2.72	0.90	2.65	0.72

Sources: *FAO, State of Food and Agriculture*

FIGURE 1
RELATIVE PRICE OF CEREALS
RURAL AND URBAN

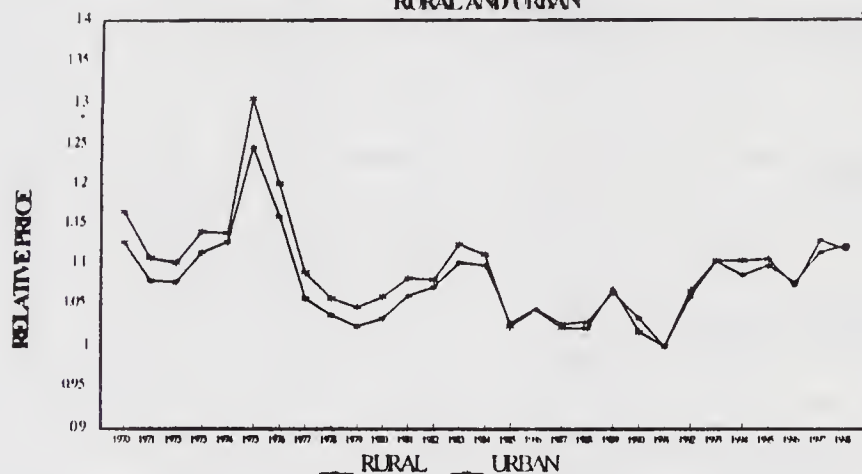


FIGURE 2
RELATIVE PRICE OF NON-CEREAL FOOD
RURAL AND URBAN

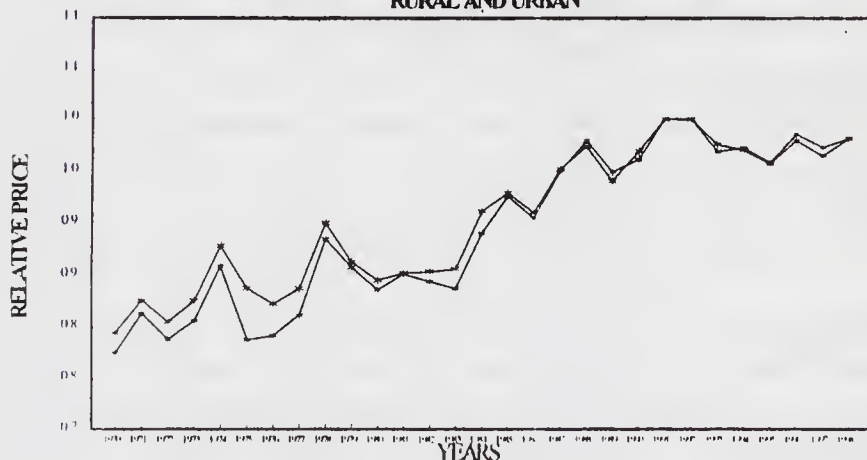


Table 4
Per cent distribution of children (aged 1-5 years)
by nutritional grade in rural areas of selected states

State	Period	Normal	Mild	Moderate	Severe
Kerala	1975-79	7.5	35.7	46.5	10.3
	1991-92	17.6	46.7	29.6	6.0
	2000-01	20.8	50.4	26.9	1.9
Tamil Nadu	1975-79	6.2	34.2	47.0	12.6
	1991-92	8.0	39.7	41.7	5.7
	2000-01	10.5	50.6	35.3	3.7
Karnataka	1975-79	4.6	31.1	50.0	14.3
	1991-92	3.6	33.6	54.5	80.3
	1996-97	7.2	45.2	45.2	2.4
Andhra Pradesh	1975-79	6.1	32.4	46.1	15.4
	1991-92	9.9	39.2	41.9	8.9
	2000-01	11.5	48.6	35.8	4.1
Maharashtra	1975-79	3.2	25.4	49.5	21.9
	1991-92	4.5	33.3	44.9	17.3
	2000-01	8.2	39.6	48.0	7.2
Gujarat	1975-79	3.8	28.1	54.3	13.8
	1991-92	2.4	34.9	50.8	11.8
	2000-01	7.4	43.7	40.0	8.9
Madhya Pradesh	1975-79	8.4	30.3	45.1	16.2
	2000-01	5.8	30.4	49.2	14.7
Orissa	1975-79	7.5	35.9	41.7	14.9
	1991-92	6.0	38.2	42.5	13.3
	2000-01	6.7	38.9	47.2	7.2
West Bengal	1991-92	9.3	30.1	42.7	17.9
	2000-01	7.4	43.0	42.9	6.7
All states*	1975-79	5.9	31.6	47.5	15.0
	1991-92	7.2	36.3	45.1	11.1
	2000-01	9.0	43.3	41.3	6.4

Notes : Based on National Centre for Health Statistics (NCHS), standards;* Pooled estimates for Kerala, Tamil Nadu, Karnataka, Andhra Pradesh, Maharashtra, Gujarat, Madhya Pradesh and Orissa.

Source : National Nutritional Monitoring Bureau, *Report of the Repeat Surveys — Rural, 2001*, National Institute of Nutrition, Hyderabad

Table 5
NFHS estimates of malnutrition among children
(Weight - for - age % below 2 S.D.) (underweight)

State	1993 (Children under age four)			1998-99 (Children under age three)
	Rural	Urban	All	All (Rural + Urban)
Andhra Pradesh	52.1	40.2	49.1	37.7
Assam	51.8	37.3	50.4	36.0
Bihar	64.1	53.8	62.6	54.4
Gujarat	45.8	40.5	44.1	45.1
Haryana	39.4	33.0	37.9	34.6
Himachal Pradesh	48.3	30.2	47.0	43.6
Jammu & Kashmir	Na	Na	44.5	34.5
Karnataka	Na	Na	Na	43.9
Madhya Pradesh	59.4	50.1	57.4	55.1
Maharashtra	57.5	45.5	52.6	49.6
Orissa	Na	Na	55.3	54.4
Punjab	47.4	40.0	45.9	28.7
Rajasthan	41.1	43.9	41.6	50.6
Tamil Nadu	52.1	32.3	46.6	36.7
Uttar Pradesh	Na	Na	49.8	51.7
West Bengal	Na	Na	56.8	48.7
Kerala	30.6	22.9	28.5	26.9
North East				
Arunachal Pradesh	40.3	36.2	39.7	24.3
Manipur	31.6	25.9	30.1	27.5
Nagaland	30.5	19.7	28.7	24.1
Tripura	53.0	31.6	48.8	
Meghalaya	47.2	37.5	45.5	37.9
Mizoram	34.5	22.0	28.1	27.7
All India	59.9	45.2	53.4	47.0

Notes : Children below 2 SD From the international reference population median are treated as suffering from malnutrition,;

Source : National Family Health Survey (NFHS), 1993 and 1998-99

Table 8
Quantity projections of household food
demand

(million tons)

Year	2000	2010	2020
Rice	78.28	97.99	118.93
Wheat	54.17	72.07	92.37
Other Cereals	13.07	14.11	15.57
All Cereals	145.07	181.12	221.11
Pulses	10.57	14.58	19.53
Food grains	155.64	195.69	240.64
Milk & Milk Products	64.15	106.43	165.84
Edible Oils	5.28	7.67	10.94
Meat & Fish	4.67	7.25	10.80
Sugar & Gur	11.45	17.23	25.07
Fruits & Vegetables	48.45	75.21	113.17

LECTURE SERIES III
2003

CHALLENGES OF GOVERNANCE: A DISCUSSION

Rashpal Malhotra

Friends, we have this morning with us the President of our Society, Mr Keshub Mahindra. Of course, our Chairman Dr Manmohan Singh. We have distinguished experts from among the members of our Society, and faculty; we have Professor Zuberi; we have Mr Gopi Arora, of course Mr Haidar is here, Professor Partha Mukherjee is here; Mr Sahai is here. The idea is that the members of the faculty who have been very active over a period of time should be here. I was reporting to the governing body yesterday how the level of the intellectual and scholastic concern has risen. The proof of it is the State Development Report, which has been greatly appreciated by everyone, and the one which is coming up, Himachal Pradesh, and our interactive session with Guru Nanak Dev University on the programme which we have to pursue in collaboration with them of developing a policy of urbanization for the state of Punjab, also the border area study. Some of you who were involved with the Border Area Development programme know that Mr. Gopi Arora was the man behind it and of course Dr Manmohan Singh as Deputy Chairman of the Planning Commission had supported it. But there have been no continuity of this work. Now there is great demand that this activity must be undertaken as a special issue that required to be studied before any planed activity could take place. Having said this, may I request Dr Manmohan Singh to chair the morning session, which could start with the sharing by Mr Mahindra of his perception on issues of contemporary relevance, followed by a discussion. Then as Zuberi is here, he may like to share his views and Gopi is here; Partha Mukherjee has not yet spoken of some of his of experiences. So the idea is the members of the faculty should have the benefit of the wide range of experiences, and expertise most of our senior colleagues here have acquired. I will request Dr Manmohan Singh to invite Mr Keshub Mahindra, so that the discussion can start.

Manmohan Singh

Thank you very much Rashpal. There is an old saying that those who can, do and those who cannot, teach. Now we have the president of

Full text of the proceedings of the session of the Third P N Haksar memorial Lecture Series, held at Chandigarh, addressed by Shri Keshub Mahindra, President of CRRID Society.

our Society, Shri Keshub Mahindra, the great doer, topmost captain of industry, a visionary, a path finder and who has been intimately associated with the expansion and modernization of Indian industries and therefore, from every point of view, what he has to say is of great contemporary relevance for us to learn from him, how economic and social processes interact with political events. And what are the challenges that our economy, society and polity face, how best we can meet those challenges and what are the lessons of all that work that we are doing as serious minded research scholars at this Centre. To promote sound research, we have to pay attention to light-bearing and also fruit-bearing aspects of social sciences. There is a very famous quotation from A C Pigou, a great Cambridge economist, who once said that when we study economics, and that I believe applies to social sciences as a whole, our impulse is not the philosopher's impulse, knowledge for the sake of the knowledge, but for the healing that knowledge, directly or indirectly, may help to bring about. Therefore, this interaction with men and women, who have distinguished themselves in various walks of the nation's, social, economic and political life is of immense advantage for our research scholars. While I am on this subject, I should like to congratulate the faculty, the Director and all the staff, for the excellent work that has been put in while preparing the Punjab Development Report. It has won widespread appreciation and I have no doubt, that a similar fate awaits the report of Himachal Pradesh. With these words I would request Shri Mahindra to give us the benefit of his views, how he sees India and Punjab and what can be done to hasten the pace of change to the mutual benefit of everyone concerned. Yesterday I said that one of the formidable challenges that our democracy faces, is to organize power to promote collective good. Now, I hope that out of this discourse today, we shall have a better understanding of the processes that are at work in our economy, polity and society.

Keshub Mahindra

Mr Chairman, as always, you have been too generous with your words, for which I thank you. Trying to spell out in a few minutes the interaction between economic development and our many social needs is practically an impossible task. In order to make the best use of the time available to me I am compelled to focus and would therefore like to share my experiences with you in respect of my personal and modest involvement for the last 30/40 years in the economic development of our country. Hopefully this may lead to a meaningful interactive session, which I find far more useful than long speeches.

In spite of the fact that we Indians have a habit of relying back on history and although I am also tempted to talk about the conditions prevailing for economic development in the seventies and eighties, I am not going to succumb to it, and will try to focus more on the present and the future. I begin with the early nineties and I believe that we still have not realized the full impact of policies the architect of which was our very own Chairman of today. The very process of liberalization and economic reforms led to drastic changes in the mindsets of all of us involved in the drama of economic development. Let me emphasize strongly that economic and social development must go hand in hand if it is to impact our lives. When the reform process started, the corporate sector was jubilant and euphoric, for having been shackled, controlled and regulated ever since Independence, it was felt that anything was better than what one had experienced over the years. No one at that time realized the perils of global competition and what it meant to make profound changes, to move from an isolated and insulated economy to one, which is to become part of a global pattern. In the process, it was required that we be educated to understand what was meant by free competition. In spite of the many obstacles and encumbrances in the WTO agenda, I do believe that India cannot keep away from a globalized world no matter what the pitfalls. We have to join the community of nations, but we also have to understand that it must be on terms that suit us. We must understand what needs to be done, what postures we must take, leading to greater participation in the markets of the world as well as opening up our own markets to them. The first lesson we have to learn is that, in spite of international pronouncements of free trade, free movement of capital, free movement of labour, in actual practice there does not exist any such Utopia. Nations do what is best in their sovereign interest and there are many examples before us to learn and adopt measures that suit us best.

From the developed world come sermons and speeches on our subsidies and yet let us see what they do themselves. Look at the agricultural subsidy in the developed nations which are far more burdensome than ours, and when they come and say open your markets to us they do not in turn open their markets to us, and the minute we begin to give them severe competition, out come pronouncements to say that this is unfair competition and immediately in the guise or a pretence of saying that we are dumping, gargantuan duties are imposed prohibiting entry to such trade. So while in the US anti-dumping duties can be imposed within days, in our country it takes many, many months. This leads to unfair competition for the Indian producers, putting us at a tremendous disadvantage and the lesson to learn here is that our

methods and practices must match those abroad if we are to live in the same world. I can go on and on and give you many examples but most of you are familiar with them and I therefore will not tax your patience.

While the reform proposals in the early nineties brought about tremendous success, in the last two years the growth rate has diminished and investments have not matched expectations. There are reasons for this as also there are exceptions. Look at the vast investment that has gone in the telecom sector, IT sector as well as the auto sector over the last ten years. In order to meet global competition our corporate world was compelled to manage costs, improve efficiencies, better quality and that in spite of existing labour legislation, which makes it extremely difficult to progress towards an environment in which one can compete internationally.

At the commencement of liberalization there were many industries with unbalanced capacities but over the years, many industries have shown that they can indeed compete globally. I would not have said 15 years ago that there would arrive a time when India would emerge as one of the lowest-cost producers of automobile components matching world quality standards. Look around you and you will find that every major automobile manufacturer in the world is in India today, giving the consumers a very wide choice instead of the two models that were made available to the consumers in this country for nearly 40 years. The reform process led to the birth of a new breed of entrepreneurs. One does not need to emphasize and point out to this audience the dramatic success of not only Silicon Valley entrepreneurs, but those also in our domestic economy which have now raised themselves to international standards. I am, therefore, not one bit depressed when people talk about our fiscal deficits, etc., etc., for I believe that finally energies which had been lying dormant have been unleashed and undoubtedly India will emerge as one of the great economic powers of the world within the next 20 years. It is with this confidence that I plead to those who still run our economic lives to appreciate and understand the pressures of world economies and take and adopt measures to support domestic innovation and entrepreneurship.

I firmly believe that if one wishes to improve the quality of life of our people, there is no escape from achieving a high sustainable economic growth rate from year to year without which many of our people will be deprived of the basic necessities of life. Let us therefore understand that economic development is not an isolated phenomenon, it must go hand in hand with Government policies and practices as well as with the communities that the economy serves. We cannot wish

governments away neither can we wish politicians away as much as we would like to, and as they have a profound effect on whatever we do, I believe that the key to the future is governance. Whether it be at the corporate level or State or Centre, governance should be such that it is transparent and that there is a great degree of accountability. While there have been a plethora of rules and regulations on corporate governance — we started with a report by Mr Birla's Committee, followed by the next one by Mr Naresh Chandra and finally the last by a Committee headed by Narayan Murthy. On top of that we have amendments to the Companies Act — but no one has attempted to bring in harmony in these reports and the regulator merrily issues instructions from time to time causing great confusion amongst the corporate world. While one deplores what transpired in the US, who perhaps have the strictest codes of governance of their corporate sector, it must be clearly understood that we cannot merely ape what is happening abroad and must inculcate a type of governance which suits our customs, our culture and our thinking processes. And while I might be in complete favour of the powers that be demanding a certain degree of behaviour from the corporate world, I do not see many talking about the need to have a code of governance for government or the politician without whose effort the process of economic development will merely lag behind.

One could continue on and on praising and applauding the many success stories in our country but at the same time we must accept areas of mismanagement. The priorities remain the same — employment, education, health-care and housing — therefore, any economic model has to achieve success in these areas to enable the quality of our people to improve. The need of the day is co-ordination and harmony in what all of us do and try and follow practices, which lead us to better lives. We have to accept that we cannot excel in everything but there are certain areas where India has achieved outstanding success; you only have to look at our IT business, bio-technology, pharmaceuticals and telecom. But equally, traditional industries like textiles need to be supported and a boost given to the agricultural economy by bringing in real reforms in that sector.

Although the businessman was held in contempt a few years ago and now perhaps the pendulum is swinging more towards the politician, nevertheless as I have started earlier, we need to harmonize and move together, irrespective of the prejudices that the past may have brought about. Let us, therefore, look to the future with hope and confidence.

As I said at the beginning mindsets have changed. It is no longer

a sin to make money. In fact, the entrepreneurship spirit has brought in new faces in the corporate world in the emerging technologies of telecom, bio-technology, computers and software, etc. It is not a sin to make money, but to encourage the young. Rewards are linked with performance, with no ban on ceilings. I am more than confident that the future looks bright for the young; many of them settled abroad are considering the possibilities of returning home but there is a tremendous need for our society to move as one cohesive unit and lead the country on the path of development where no one is ever hungry.

Let me end by saying that the corporate sector stands behind the process of development in spite of being maligned over and over again as being a breed which is interested only in making money. That may be so for a few, but by and large the corporate sector is a responsible body of people who are as interested in the social and economic development of the country, as all of you in this room.

Partha N Mukherjee

As I see it, we are in a phase of transition since the 1990s. We have got to assess the consequences of the emerging neo-liberal regime of the corporate world on our industries and on the rest of the world. Keshubji has drawn a very lucid picture of the problems facing the Indian corporate sector in a world, where the rules of the game are such that you have to be a part of it and respond, and yet there are problems both internal and external that inhibit playing the game effectively. One such problem is the demand for Indian industries to be competitive with the rest of the world, but they are not financially in a position to make commensurate R & D investments.

I would like to make one comment here from my experience as one who was a member of the CSIR committee evaluating the performance of their laboratories. They had a number of criteria by which the judgment was arrived at. These included, among others, the extent to which they had been instrumental in making existing industries more competitive by upgrading their quality, productive capacity; to what extent these laboratories contributed to increasing employment; and so on.

During the course of these several meetings that I attended, I had made the point that Indian industries were ill equipped to establish their own R&Ds. Why cannot the so many CSIR laboratories contribute to this function? Dr Mashelkar made certain points that are important. First, he noted that the CSIR laboratories were not working in tandem on various projects that overlapped each other. Complementarities of scientific skills and knowledge that lay distributed in different laboratories

were not being harnessed purposefully. Second, he definitely looked forward to partnership with industries. Industries could use the CSIR laboratories, even improve upon them and hire scientists of their choice. I would like to believe that Dr Mashelkar was sincere in his concerns. I think Keshubji can explore this national asset for the mutual stimulation of industry, and science and technology.

The other point I wish to highlight is the concern that many of us social scientists are seized with. On the one hand, there is a lot of focus on the problems facing the corporate world in facing up to the challenges of a fiercely competitive world market. But there is very little importance being given to what is happening at the bottom. I had the occasion to spend more than a month in the rural and urban areas of Bihar, Jharkhand and West Bengal in a study of the Scheduled Castes and Scheduled Tribes. The low levels of living were exposed to a consumption basket the outer world was producing. The access to education and occupational opportunities of the rural poor was shockingly limited. I was astonished to find that in a state like West Bengal, while there was widespread primary education, there were drastic drop-outs by class V ! Even Bihar and Jharkhand fared better with respect to education at the high school level and beyond, in comparison. I have this very uneasy feeling that a widening gulf is being created between the rural and the others.

At such juncture of our national existence, non-economic, non-secular movements engage the attention of our political elite, which retard the economic processes of growth and social development. We seem to have lost our bearings on what kind of development path we need to chart out. The corporate logic for withstanding competition is to take recourse to downsizing of firms, adversely impacting the service sector, whilst the imperative of increasing employment is all too evident. Where do we really stand Mahindraji?

Keshub Mahindra

I think what you have stated is perfectly correct. Dealing first with research and development, sadly we do not seem to have a national policy and while in no way decrying what CSIR does, one of the issues and perhaps the main problem is that because of lack of communication, industry does not really know what work is being done by the National Laboratories. I would therefore suggest that whatever has been the past the present Director-General is making greater efforts to reach industry, but lot more needs to be done and the process of education must begin by communicating the excellent work done by them.

Coming now to your second point, while we tend to put the whole

blame on lack of education amongst people, particularly lack of primary education and we seem to put the blame on them for any acts which take place against society; but if newspaper reports be correct, it is very disturbing to note that in the recent blasts in Bombay, these were ostensibly organized by highly educated people. It is said that one had an MBA, the other computer science and third a graduate in biology. So it seems to me that the process of alienation is now moving upwards. I hope that I am entirely wrong but if correct it does not hold good for us.

Paramjit S Sahai

I fully share the main thrust of what Mr Mahindra suggested, that is, governance. My own experience based on my posting to Malaysia during the late nineties and an earlier posting to Singapore in mid-nineteen-seventies made me see the progress which these countries had made during these periods. As per my perception, two factors mainly contributed to this direction: willingness of the leadership to take decisions and later implementing the same. In the case of India, the leadership has neither of these. This is the message, which I wanted visiting Indian dignitaries to get during their visits to Malaysia and was happy to note that Arun Shourie had given vent to similar feelings in articles he wrote in the *Indian Express* some time ago. The second problem, which we have is lack of preparation on our part. Wherever we go and whenever we go, we do not go fully prepared, whether it is bilateral visits or international conferences. We have a habit of signing a number of MoUs/Agreements on such visits but then get into the process of reconciliation after these visits. This has resulted in non-implementation of MoUs/Agreements, which has adversely affected our relationships. We have to move away from the approach of laying foundation stones and not building structures. CRRID is an exception in this regard as we have just laid a foundation stone for the extension of the library building and presumably this would be completed in record time. Another area which is of importance is the need for policy planning in the functioning of our Ministries. We end up in adopting *ad hoc* approaches or reactive policies, as the area of policy planning is either non-existent or shunned by our senior officials. To me it is absolutely essential that we pay attention to policy planning, whereby our leaders are provided with various options and they are in a position to take a considered view.

At the political level I would suggest that we should get out of the syndrome of trying to fix one another whenever there is any change of government, in particular at the state level. We should adopt the practice of not changing secretaries for a period of six months so as to provide

continuity and neutrality in governance. This could be on the lines which we have adopted prior to the holding of general elections where postings and transfers get frozen for such a period. Finally, we have to respect the system, as we are seeing a certain amount of erosion as more and more emphasis is laid on personal contacts even among officials. We have to imbibe work culture and that alone can help us in achieving our goals.

Gopi Arora

I think Mr Mahindra has made a very reflective summing up of the experiences in the corporate world, over the decade. Before I proceed further, let me say that to you, Mr Chairman, goes the credit for introducing a new more dynamic element into our development paradigm. I remember that when we started in on this path in the nineties in very critical circumstances, you did suggest to the country, that we were making a new beginning. I think the country responded positively. Many things have gone according to plan, and our economy is certainly getting stronger and more competitive today. But there are certain gaps still. Let me remind you, Chairman Sahib, that when you gave the Nehru Memorial Lecture, you reflected on the experiences of the nineties you did mention that one of the crucial gaps in our strategy was investment in the infrastructure sector which the private sector was unable or unwilling to fill. You indicated that the role of the public sector and public sector finance in this vital area was still very critical. Your observations about the infrastructure gap are still valid today. Unfortunately for a variety of reasons, you know the fiscal constraints and so on and so forth, public investment is not forthcoming and that is a matter of serious concern for all. I think time has come perhaps for both the corporate world, and the government to come to a new understanding of the paradigm that was introduced in the early nineties. The corporate world has to internalize the dangers that lurk ahead on the horizon in the shape of stagnation of the world economy. We know what Russia has undergone as a result of the so-called globalization. We are aware of the breakup of Yugoslavia. Argentina, Brazil, and Sub-Saharan Africa illustrate the dangers. Anyhow we have the plunder of Iraq. These are not isolated events, unreasonable events. They hang together. Therefore the corporate world, I think, has to perhaps internalize the challenges that are facing the Indian economy. I am not saying that you go for various confrontationist strategies. But they must realize it that this liberalization and globalization is not something which comes as an unmixed blessing. We can be at a receiving end very soon. At the very least, we have to prepare and should get lessons from China as to how we can pursue our national strategy of growth and development.

Keshub Mahindra

Lest I be misunderstood, let me make it absolutely clear that there is nobody that I know of in the corporate sector who believes that the answer to our problem lies in a totally free market economic system. Past experiences have definitely shown that the state sector on its own cannot achieve that success. What we need today is a clear definition of roles, the role of Government, the role of corporate sector, the role of educational institutions and the role of the society at large. These forces need to be combined and move in unison, governing with full transparency and accountability. Believe me when I say to you that the era of imperialism is not over. There are many forces leashed against countries like ours. To set one example, I believe that a new form of imperialism lies in capital movements. Today one can move trillions of dollars within seconds and equally withdraw much to the detriment of society of many nations as we saw in parts of Asia two/three years ago. We therefore have to guard against such possibilities and it can only be through unified effort on our side.

Manmohan Singh

I think it is not possible to organize power for social good in a society where there is so much of social inequality and disequilibrium. The magnitude of social inequality and perceived sense of deprivation among large segments of the population constitute a formidable barrier to an effective process of governance. Good governance must mean that hitherto deprived sections of society benefit from processes of social and economic change. At the same time, one has to recognize that creation of additional wealth is essential to devote more resources for the wellbeing of the poorer sections. Politically, redistribution of wealth is easier in a fast growing economy than in a stagnant or slow moving economy. There has to be a balanced emphasis on both economic and social development.

M Zuberi

Mr Chairman, you observed that the major problem facing the country is how to organize power for the social good. Mr Mahindra has now pointed out that we have not been able to organize whatever power we have in our negotiations with major industrialized countries. There are other areas as well where the same failure can be observed. In two articles recently published in *The Tribune*, General Malik has described the haphazard manner in which our defence budget is prepared with the result that long-term defence planning becomes a misnomer. Another recent example is the recent mobilization of our armed forces along the Indo-Pakistan border. It was supposed to be an exercise in 'coercive

diplomacy'. Were we able to coerce Pakistan? Or did we pin our hopes on the Americans?

Mr Mahindra has rightly pointed out that economic development of the country will be adversely affected by domestic turmoil and that we are going to have more turmoil in the near future. Unfortunately, our politicians are increasingly prone to accentuate caste and communal divisions in our society for short-term electoral gains. If religious polarization of our society is not checked, we are, I am afraid, hurtling towards a major upheaval with serious consequences for our internal and external security. And our socio-economic development would be jeopardized. We should not deliberately increase our vulnerabilities to be exploited by external forces inimical to our interests. Is it possible for the corporate sector to use its clout to draw the attention of our political masters to the ruinous economic consequences of their divisive policies?

Keshub Mahindra

I wish that one could have an easy answer to what you have stated, but let me begin by saying to you that you flatter the corporate sector by suggesting that they have any sort of a clout. For what is happening is that we are now entering into a very interesting era of true partnership between Government and industry. Years ago the business sector was not even tolerated. In fact every attempt was made to ridicule corporate activities by insinuating that the only interest they had was to make money and therefore cared nothing for the society at large. Sadly, the business community did nothing to improve that image and I remember in the years gone by when the GATT meetings were held, government in its wisdom never even consulted anyone from the corporate sector, contrary to other nations where full fledged delegations were behind the countries' representatives, to render advice and guidance. But that is now changing all to the good, and now in the last few years, government has been taking business delegations with them when the Prime Minister and other senior Ministers travel around the world and one can easily see its impact not only on our economy in India but also on the international scene.

Surinder Singla

Dr Gopi Arora was just mentioning the inherent incapability of Indians to face any challenge, but this is what exactly it is. Let me say and I interpret what you are saying that changing the entire system is internally coming into fashion. I honestly do not believe this is happening. So, basically those who opposed the nineties' economic reforms, really reflected that probably India is inherently capable of facing any global

challenge. Let there be a level playing field in India. But this argument is going on for the last 40 years; but you rightly said, a new mindset came in. There was a time in 1950, the prime minister was not sure whether he should go for the FICCI meeting or not. You know India's political leadership then really felt like not associating with industry and trade. Now, as Keshub Mahindra says, the prime minister is too happy to carry business delegations with them. They know the problem. They deal with the issues, policies affecting them. I think this is a change, and the change has to be understood. Among the reasons are of concerns that Mr Mahindra has mentioned: a weak sovereign state. Why do we have a weak sovereign state ? Why southern states are not able to defend national interest. Are we unable to take a position on national interest simply because we are weak, that we are economically weak ? We have such wide entrepreneurial population in this country in every state, whether it is a different community, but where are we leading to ? The fault lies in whether it is called the governance, little talked about, whether it is education. Take any field where public expenditure delivers absolutely nothing. One is talking about Bihar schools and I am just quoting a case of Bhatinda district, where the dropout rate from first standard is 78 per cent in government schools with free education, while in a private school, there is not a single dropout. The results are far better.

So it is not a question that money is not available for all kinds of education. The whole trouble is that the economy is functioning so badly. A friend mentioned here that the rule should be that bureaucrats have to continue for a while after a change of government. If bureaucrats have been politicalized and political leadership changes, the first thing is to think whether these politicalized bureaucrats should be changed or not. If you are expecting that they should stay, they have to be apolitical. My comments here, sir, I feel, the dominant section of India's political class has not changed. I believe Indian political class must change. The politician has to change himself. If five per cent of the people in the political scene really understand that they have to change, it will help change, for example, the regulator's role being performed not by the regulator but the legislator. In fact he is also judge in many ways. If you look at the regulating authority and the regulatory authority assumes the role of legislator, role of regulator, role of a judge, nothing happens of this kind anywhere in the world. The problem is that there is no political direction coming. The politicians are refusing to play their own role. They are just busy in petty jobs of handling their constituencies in different ways. So the answer lies to my mind where you are looking for good governance or looking for something else, all kinds of things

concerning education and health, you have to really convince the political class. Changes are taking place. Nobody can stop them. If changes are directed and with good speed, India will progress. China is a great example, I don't think that you really have to adopt a political model of China today. You have to change the political class here.

My last question to Keshubji is, I would share your view that the corporate world is the biggest mobilizer of economic growth, all over the world. But in India it is not playing its role. The fact of the matter is that India has a very limited share of large companies; very few global companies. There really we need growth. If a family separates, then the company does not become global. There are hundreds of cases one can mention for example the recent case of Nanda and Bajaj. All global companies before they become global had the potential to become global. If the family-owned company, the founding company, does not last for many years and splits, what is the answer? You are looking for some kind of family's loss to be changed, not the company. One problem is that in the professional managed company, entrepreneurial company, the entrepreneurial drive is missing. I mean, you have the case of L&T, a professionally managed company and Reliance in 89 both had the same turnover, Rs.1100 crore. Now the entrepreneurial drive was bought by say Dhiru Ambani, then the first mega issue of 850 was contributed, how the Reliance growth has reached to some 17 billion dollars and L&T is still struggling to be 7000 to 8000 crore company. This great company of construction and engineering could be a great company in the world, had there been a great entrepreneurial drive in it. So what is the answer really? The family owned company gets divided and the professionally run company remains stuck, no growth really; no meaningful growth. That is the question that arises directly.

Keshub Mahindra

Forgive me but I am not able to catch any questions that you have asked but have listened with much interest to the many excellent points that you have made in your brief statement. Your basic premise appears to be that not only are the family-run companies doomed but equally you appear to put the professionally run companies in the same category. I must disagree with you. I could *ad nauseam* give you examples of family-run companies which are highly successful, as also ones that are professionally run with equal success.

On mergers, I hate going back over the years, as I have said so in the beginning of what I had to say, but you cannot get away from the practices of the seventies and eighties when uneconomic units were set up much to the detriment of our economic activity, with the result that it is

only natural that acquisitions and mergers in the years to come will take place in order to enable Indian companies to reach global standing. Frankly, this is the nature of a globalization and if today you look at UK, the bastion of the automobile world many many years ago, you will be surprised to know that today there is not one automobile company in Britain which is in British hands, may be an exception of some of the smaller ones but the others have all been acquired or merged.

I cannot speak with any expertise on family businesses, but I do not believe that one can just generalize, for it depends on families. If family ownership encourages professionalism and takes the trouble to ensure that family members are indeed not only well educated but professionally trained, there is no reason why it should not be run as successfully as in any other Board Room. Equally professionally run companies can only survive if they are left alone and there is no interference in their functioning by elements outside their companies.

TKA Nair

Sir, based on our experience in government, I may make two observations. We tend to assume that social development takes place along with economic development. What seems to be happening is on the social front the kind of development which is expected to take place is not taking place on account of a number of historical and other factors. Today we are caught in the global economic whirlpool and inevitably we are getting more and more integrated into the global economy. At the same time the mindset of our people and the social environment in which we are functioning are of a different age and time, not conducive to the current context of our economy. There is a big problem in that area. As I am not a sociologist, I cannot comment on it with any depth of knowledge. But this is one of the major reasons why fragmentation of thinking, policies and programmes takes place in different forms. It is a fact of life. Whether we call it casteism or communalism or fundamentalism, fragmentation of society is not something which is in tune with the integration of the economy of India and the process of globalization. So we are facing a paradox and unfortunately the impact of fragmentation of society on governance is quite adverse. Today increasingly people who are in positions of authority or leadership are those who have benefited from the fragmentation of society which is getting accentuated. There was a time when we nurtured our integrating bonds but today, it is just the opposite. The lack of governance and its adverse consequences are the consequences of this policy of fragmentation, which is so fundamental.

Many of the issues we talked about concerning governance,

about teachers not attending schools to teach, patwaris not visiting villages to update revenue records and policemen not registering cases are symptoms of deep-rooted maladies that have crept into our system of governance. Government functionaries have become demotivated and over a period of time most of them have lost their self-esteem and sense of service. To my mind one of the most important challenges of governance today is how to motivate the bureaucracy at different levels. General Malik talked about the defence budget. We know for a fact that nobody in the defence ministry is willing to take bold decisions on procurement for the simple reason that he does not want to answer wild allegations of wrong doings for generations to come. Sir, who is responsible for the sorry state of affairs? The whole system. You take any newspaper today and you get an impression that this country is only made of scandals.

Mr Malhotra knows well that from workers to top managements today we are talking about motivating people for getting the best out of them. But in government there is no such awareness and no such efforts. We have any number of beautiful blue prints, we have got vision statements, we can articulate them extremely well, but when it comes to doing things, where are we? Our achievements are far below our expectations and potential capabilities. Why is it so? What can you expect of bureaucrats having short tenures of three months to eight months or twelve months in office? Why is bureaucracy not in tune with the thinking of industry? There was a time when if you talked to an industrialist, you were suspect. How can we expect the bureaucrats to change overnight? Those who have changed are sometimes unfortunately identified with the corporate sector. Under these circumstances unless our mindset changes and the socio-political environment becomes more conducive we cannot, expect the bureaucracy to perform optimally in today's context.

Manmohan Singh

I wish to draw General Malik's attention to two sets of factors, which increase uncertainty and adversely affect the pace of social and economic development. Firstly, there is the inevitable impact of strained Indo-Pakistan relations when both countries are nuclear powers. Investors are bound to worry about possibilities of an armed conflict in the subcontinent. Secondly, one has to take into account the sharp deterioration in Hindu-Muslim relations in the country and growing alienation among a section of Muslim youth. This is a fertile breeding ground for terrorism and has profound implications for orderly governance.

General V P Malik

I touch upon the subject you have mentioned but a little later. First I just want to give my impression of governance. I think, as I see the experience of the armed forces, ministry of defence, we are in an over-governed country. No one says, we are a governed country, we are definitely a governed country. There is also a mismatch; we need better governance at the bottom level. Instead of that you have over-governance at the highest level and your civil servants, police officials, who should be spending more time at the ground level, they spend much less time there and they are quickly shifted from one district to another district and from one job to another job. And the only place where they find some steady tenure is at the level of joint secretary and above.

And the other part in the recent past, I think in the last ten-fifteen years, what I have noticed is this over enthusiasm to politicize our civil servants including the police officers. There is also an attempt to politicize the armed forces; fortunately, so far we have been able to resist it to quite some extent. I am not saying that everything is hunky-dory, everything is fine as it used to be and it is not so. The people who are helping the political leadership in the policy making and then the facilitator, they are the ones who are implementing, I think Mr Nair was rather emotional, justified that they are being bent. I blame both, people who are trying to bend them; I also blame those who get bent so easily. I think the problem is at both ends. We do not have the kind of bureaucracy that we had 15, 20 years ago. As you gave an example last night, what Mr Dhar said in the conference. Look, you do your job, suggesting what is right and whether it is politically acceptable or not let them decide. That is not happening much. At the level of joint secretary somebody says, no no, but this is not politically feasible. So compromises are coming.

I am also worried about the regulators. We are going to be a different kind of economy. Then you have a prominent role for the regulators. But who are the regulators ? What I find that these are people, who have retired from service, and then that has been a carrot hung before them. They are joining the regulators at the state level or at the central level. Though they will continue to serve those masters even more loyally, because they want their tenure to be extended for another two to three years or from three to four years. So what changes you are going to have, I am not so sure. This is the problem, which is going to come up very soon, because both in the communication field as well as in the passing generation, you know the regulators are expected to play an important role but who are these people ? The pity is that we are still

not recognizing the professionals and their role in helping policy making, facilitating and ensuring implementation of those policies. We are still not looking after those people who are really I think the engine of growth. We were very lucky that we have in the ministry of finance an economist and similarly there are some more people coming in now but we still are not giving them an important enough role So I just leave it at that. That is my question.

Going to the question you have raised about what are the relations with Pakistan. I have no doubt that it is a stumbling block in growth, in the economic growth and the development, not only of India but the whole of South Asia and in this present context of globalization it is not the Indian economy which is going to — I mean Indian economy is very important in the whole region — but what really matters is the regional economy. There is a certain amount of inter-dependency, you cannot just re-shift the way. So this Indo-Pak adverse relations do impact on economic growth; but it is unfortunate that the kind of government that has come on the other side, on which we have really no controls. More than half the time it has been military people who have been ruling them. Today they have acquired status, a position, which even the Pakistanis do not want to wish away. You know that is important. And in order to survive and maintain the status the confrontation with India is likely to continue. I never blame the Pakistani people. I always blame the Pakistan Army for this very adversary relationship with India. I also believe that even if we were to resolve the Jammu and Kashmir problem with them, it is not going to end problem with Pakistan, so long as the Pakistan Army continues to maintain the status and position that it has acquired in 55 years. So adversarial relationship are not with the Pakistani people, may be few mullahs, because that does not suit our secularism, but primarily I think it is the man in uniform continuing to govern that country.

Now coming to the Hindu-Muslim divide which has — I am giving you my experience — sometime I would say after the 1971 war till almost recently I found that the call for the army to come and help out the state government in maintaining law and order particularly on account of communal tensions, are gradually receding; they are getting lesser and lesser. There were few places where you found them, Ahmedabad is always bad. But in other places, if you were to go for the statistics — and I have been in military operation for a very long time — year after year we found that the number of times the army was called to assist the state government and civil administration for maintaining law and order in communal disturbances was getting lesser and lesser and lesser. But it has once again increased now in the last two years. What is the

reason.? That is when you have people dividing you, outsiders will always exploit it. I personally feel, this what is happening. The greater the division in our society is exploited, whether it is Muslim or a tribal in the northeast or anybody else, when you have adversary relationship with somebody, he would naturally take advantage of this situation and he will try and exploit it. I personally feel sir that this is going to be a bigger problem for India, a much bigger security challenge for India, than an external aggression. You know whatever you may say the fact is that today we are nuclear nations, both of us. So even if there is a war, I do not think that it is going to be a very major war, that is going to last very long. The international community will not permit that. And in any case I think in both countries, nobody is a mad person who would want a nuclear war. Most people are not mad. There may be an odd Osama bin Laden here and there. So, the advantage of all that is that there can be skirmishes, there can be short wars even with China, because you have boundary problems at odd places. It is not likely to explode into a very major engagement. But what is really the greater threat for us is our integrity within. Yesterday I was speaking to Dr Manmohan Singh; I was mentioning I was very worried about the northeast because the northeast just does not have any governance and if you look at the development of industries of the developed states of our country and certain northeast states or even Bihar, and all these border states it is just nothing. And when their neighbours who are laying claim on these things, when there are already certain secessionist elements, you are worried. How long can you continue and bank upon the armed forces?

Manmohan Singh

Thank you very much. We have exceeded the time fixed for this session. I will bring the discussion to an end. I thank Keshub and all the other distinguished participants, General Malik, Gopi and Surinder for a very fruitful, though inconclusive, interactive session. We are dealing with issues which are of great societal significance. They are going to shape the future of our country. Therefore, it is very important for our researchers to take note of these concerns, while pursuing their research interests at the Centre. So I once again thank Keshub and other distinguished speakers this morning for a very fruitful discussion.

ECONOMIC REFORMS IN INDIA IN RETROSPECT AND PROSPECT

Charan D Wadhva

The foundation of credible national security is based on the level of economic prosperity and well-being of the population of any country. This is especially so for the developing countries like India. The attainment of sustained high economic growth is a necessary, but not sufficient, condition for improving national security and the quality of life of the people throughout the country.

Many developing countries in the Asia-Pacific region, including India and China where nearly one-third of the world's population lives, are currently going through economic transitions. The central objective of transition through economic liberalization is to improve the competitive efficiency of the economy in the global marketplace for sustaining acceleration of the rate of economic growth for continuously improving the security and well being of the people.

India launched its market oriented economic reforms only in 1991. China had launched such reforms in 1978. China is well ahead of India in integrating its national economy with the global economy. However, India is slowly but surely catching up in this race. The contrast in the experiences of these two countries with economic reforms under radically different political systems is remarkable. While comparisons between China and India are often made by development analysts and are inevitable when we discuss economic transitions in Asia, a more realistic assessment of the experiences of both these major countries of Asia can only be made if we explicitly take into account the stark contrast in their political systems.

In India post-1991 economic reforms have been evolutionary and incremental in nature. There have been cases of delays and reverses leading to stalling of reforms in India in some areas for some time due to interplay of forces of democratic politics and coalitional governments and pressure groups operating with vested interests. However, it is worth noting that economic reforms based on liberalization of market economy with a larger role for private enterprise have been continuously carried out by five successive governments which have held office in India since 1991. Despite several difficulties in furthering economic reforms due to political factors, categorized under the general rubric of "political economy", India is surely moving ahead to further open its economy to the rest of the world and preparing itself to transform itself

through further economic reforms for emerging as a significant player in the global economy by 2020.

This paper focuses on the experience of India trying to liberalize through its economic reforms launched in 1991. Besides this introductory section, this paper is organized under following seven sections:

- i. Why Post-1990 Economic Reforms?
- ii. Major Economic Reforms since 1991
- iii. Political Economy Dimensions of Reforms
- iv. State Level Economic Reforms
- v. Performance of Indian Economy and Selected States under Reforms
- vi. International Position of Indian Economy after Reforms and by 2020
- vii. Way Ahead : Focus Areas for Future Reforms

I

It is well known that the Indian policy-makers had chosen and without major modifications stuck to the path of centralized economic planning accompanied by extensive regulatory controls over the economy during the 40 years from 1951 to 1991. The strategy adopted was based on "inward-looking import substitution" model of development. This was evident from the design of the country's Second Five Year Plan (1956-61) based on the famous Mahalanobis model which had been heavily influenced by the Soviet model of development.¹ Several official and expert reviews undertaken in the nineteen-sixties and the nineteen-seventies by the Government of India had recommended incremental liberalization of the economy in several areas.²

The Indian economy had gone through several episodes of economic liberalization in the nineteen-seventies and the nineteen-eighties under Prime Minister Indira Gandhi and especially under Prime Minister Rajiv Gandhi. However, these attempts at economic liberalization were half-hearted, self-contradictory, and often self-reversing in parts.³ In contrast, the economic reforms launched in the nineteen-nineties had been "much wider and deeper"⁴ and decidedly marked a "U-turn"⁵ in many ways from the direction of economic policy followed by India during the last 40 years of centralized economic planning.

These reforms began with Prime Minister P V Narasimha Rao and Finance Minister Manmohan Singh when the new government took office in June 1991.

By now there is widespread consensus that, as in many developing countries, India also launched its massive economic reforms in 1991 under the pressure of economic crises.⁶ The twin economic crises were reflected through an unmanageable balance of payments crises and a socially intolerably high rate of inflation which were building up in the nineteen-eighties and climaxed in 1990-91.⁷ This can be seen from the data provided in Table 1. Thus, the current account deficit as a percentage of GDP had peaked at a high of 3.1 per cent (compared to the average level of 1.4 per cent prevailing in the early nineteen-eighties). The inflation rate (as measured by point-to-point changes in the Wholesale Price Index) had also climbed up to the socially and politically dangerous double-digit level at 12.1 per cent in 1990-91. (See Table 1).

Most economic policy-makers and analysts held widely convergent views on the causes of the unprecedented economic crisis faced by India in 1990-91. The root cause of the twin crisis of unmanageable balance of payments and continuing high inflation could be traced to the macro-economic mismanagement throughout the nineteen-eighties as reflected through unsustainably high fiscal deficit, in particular the revenue deficit, and the monetized deficit.⁸ Fiscal deficit of the Central Government alone as a percentage of GDP had peaked at 7.9 per cent in 1989-90 and the revenue deficit to GDP ratio had touched an all time high of 3.3 per cent in the climax year of 1990-91. Thus growing fiscal profligacy (and irresponsibility) and unviable financing patterns of fiscal deficit prevailing in the nineteen-eighties made high levels of annual growth rates of GDP (peaking at 5.6 per cent in 1989-90 as shown in Table 1) unsustainable.⁹ Foreign exchange reserves had dwindled to their lowest level of US\$ 2.2 billion (with less than 15 days cover against annual imports) with bankruptcy staring at the face of India for meeting its external debt obligations.

The Narasimha Rao's Congress Party Government (despite being in a minority in the Indian Parliament on assuming office in June 1991) converted the prevailing economic crisis into an unprecedented opportunity for launching massive economic reforms for both macro-economic stabilization and for initiating more lasting structural economic reforms in selected sectors of the Indian economy.

It is to the credit of the then Prime Minister Narasimha Rao that he inducted a non-politician Finance Minister into the Cabinet. Rao went

further and took risks (when no alternative was in sight) and provided full support to his economist Finance Minister Dr Manmohan Singh to evolve and implement path-breaking economic reforms. The new economic policies had radically departed from the economic policies and regulatory framework pursued in India during the last 40 years (1950-90).¹⁰ Correctly analyzing the nature of the grave economic crisis faced by India in 1990-91, the Rao government fully recognized the limitations of the entrenched economic policy regime of the last 40 years and realized that the model of development underlying this well-entrenched policy regime had reached a dead-end. Indian economic policies had not been changed in time for benefitting the country as required under the changing and highly competitive conditions prevailing in the global economy.

It was recognized by the Rao government in 1991 that time had come to reshape India's economic policies by drawing appropriate lessons from the "East Asian Miracle" based on more export-oriented and more globally connected strategy of development as successfully practised earlier by Japan and South Korea but also by the South East Asian tigers like Malaysia, Singapore, Indonesia and Thailand.¹¹ The East Asian development model had been remarkably successful in achieving sustained high growth rates accompanied by rapid growth in the living standards of the people in just two decades. India had missed on both these fronts by relentlessly pursuing its import substituting and relatively closed economy model of development.

The most dramatic and dynamic economic growth displayed by Communist China (at double digit growth rates sustained during the last two decades) through market-oriented economic reforms launched in 1978 was clearly visible to the Indian policy-makers. The collapse of the former Soviet Union and the end of the cold war around 1987 had "permanently" changed the course of geopolitics and provided India a clear opportunity to initiate more market-oriented and more globally integrating economic reforms with greater role for private enterprise including private foreign investment.

The Rao government after launching the relatively big bang economic reforms (by past Indian standards) in 1991-93 recognized the "political" constraints of "competitive populism" during elections held at state level in 1993. It, therefore, firmly adopted the "middle path" of furthering economic reforms in an "incremental" fashion for extending its width and depth during its remaining term.

The Government took two years to get over the immediate macro-economic crisis initially with the help of balance of payments loan

facility from the International Monetary Fund. The Government came out with a clear enunciation of its vision and objectives of its economic reforms only after regaining macro-economic stability. This was contained in the *Discussion Paper on Economic Reforms* brought out by the Ministry of Finance in July 1993. To quote:

The fundamental objective of economic reforms is to bring about rapid and sustained improvement in the quality of life of the people of India. Central to this goal is the rapid growth in incomes and productive employment... The only durable solution to the curse of poverty is sustained growth of incomes and employment.... Such growth requires investment: in farms, in roads, in irrigation, in industry, in power and, above all, in people. And this investment must be productive. Successful and sustained development depends on continuing increases in the productivity of our capital, our land and our labour. Within a generation, the countries of East Asia have transformed themselves. China, Indonesia, Korea, Thailand and Malaysia today have living standards much above ours.... What they have achieved, we must strive for.¹²

It is important to mention briefly here that India has indigenized post-1990 reforms at its own initiative. The loan conditionalities attached to the initial loan programme for balance of payments support availed by India in 1992-93 from the International Monetary Fund (IMF) to tide over the economic crisis ended as scheduled (in 18 months). India was under no compulsion to continue to follow the economic reforms initially funded by the International Monetary Fund (IMF). Since June 1991, India has been governed through five governments and since 1996 — mostly by coalition governments with multiple political parties with different ideologies. The present National Democratic Alliance (NDA) government (1999-2004) led by the Bharatiya Janata Party (BJP) is in fact a coalition government of 16 to 18 different political parties. Yet each successive government at the Centre since 1991 and most State governments during the last eight years or so have not only continued with the post-1990 economic reforms in the same direction as enunciated in the 1993 document provided by the Ministry of Finance cited above, but also (despite some ups and downs) continued to both "widen" and to "deepen" the reforms. We can thus be reasonably certain that these reforms have become "irreversible" in their direction. We can be sure that the reforms will continue to be pursued further.

The major economic reforms designed and implemented in India since 1991 (to date) are briefly described below in Section II.

II

Economic reforms launched by the Union Government of India since June 1991 can be categorized under two broad areas:

- Macro-economic Management Reforms; and
- Structural and Sector-specific Economic Reforms

Both these types of economic reforms have been carried out in India simultaneously since 1991. Naturally, attention of the new government which took office in June 1991 was first and foremost focused on crisis management on the balance of payments front. It was of utmost importance to restore India's credibility for meeting its scheduled external debt liabilities and maintaining a more realistic exchange rate consistent with market obligations. Achieving macro-economic stabilization was also an urgent priority necessitating controlling intolerably high inflation. It was recognized that macro-economic stabilization would provide sound foundations for medium and long-term structural economic reforms for accelerating the rate of economic growth in a sustained manner. This would be possible by removing distortions created by controls and by improving the competitive edge for Indian goods and services in the global-markets as also in the markets of major regional trading blocks. Trade policy reforms were required for reducing the growing marginalization of India as a global economic player caused by its inward-looking policies during 1950-90.

We describe below the major economic reforms launched by the Union Government of India since June 1991 with greater focus on structural economic reforms in selected sectors of the economy.¹³

Since the root cause of the twin economic crisis of 1990-91, reflected through unmanageable balance of payments position and intolerably high inflation, was diagnosed as unreasonably high fiscal deficit (especially revenue deficit), the macro-economic management reforms have focused on controlling the politically difficult problems of reducing fiscal and more so the revenue deficits. The overall fiscal deficit of the Union Government comprises of (i) capital account deficit; and (ii) revenue account deficit. The capital account deficit does not pose long, term problems as investment in productive capital made in the present, if prudently carried out, will generate adequate income stream to pay for capital costs incurred and generate positive returns (income) in future.

India's fiscal problems have been more in the area of revenue deficits. The annual Union Budgets were usually characterized by revenue surpluses and capital account deficits from 1950 to 1980.

However, after 1980, all governments, for political reasons (e.g., for winning elections and retaining "vote banks"), had willingly allowed revenue deficit to rise over the years to reach dangerously high levels and found it increasingly difficult to reduce the revenue deficits. The revenue deficits reflected excess of annual consumption expenditure of government over its annual income. Excessive employment in the government sectors; uneconomic pricing of goods and services by the "public" sector enterprises; growing interest burden; mounting subsidies; and rising defence expenditure mainly contributed to the revenue deficit. Downsizing government (reducing the size of bureaucracy and employees in public sector enterprises and banks) was also found to be difficult as it met stiff resistance from the organized employees.

The major components of direct subsidies provided by the Union Government have been: (i) food subsidies; (ii) fertilizer subsidies; and (iii) export subsidies. The indirect (or hidden) subsidies consisted of transfers to loss making providers of services such as (i) power; (ii) irrigation; (iii) water; etc. Lowering of any component of direct subsidies or raising of prices of utilities, etc., were propagated as anti-poor (anti-farmer, etc.) moves. Hence, all governments in power had shown reluctance to lower these subsidies and in fact allowed the total bill on subsidies to rise for raising their electoral popularity. It was estimated by the National Institute of Public Finance and Policy that the cost of direct and indirect subsidies together had reached a staggering high level of 14 per cent of GDP in 1994-95. What is worse, non-merit subsidies (benefitting only the rich who could very well afford to pay economic prices for subsidies, services and products) for 1994-95 amounted to 10.7 per cent of the GDP.¹⁴

Faced with the dire necessity of reducing fiscal deficit in the crisis year of 1991-92, the then Finance Minister Dr Manmohan Singh made brave attempts at reducing fertilizer and food subsidies during 1991-92 and to some extent in 1992-93. Simultaneously, he and several subsequent Finance Ministers resorted to the softer options of reducing public investment expenditure generally and reducing public expenditure on social welfare services particularly during 1991 to 1995.

The above measures did help in reducing the fiscal deficit of the Central Government to 4.8 per cent of GDP at the end of 1992-93. (See Table 1). However, further cuts in fertilizer and food subsidies could not be carried out by the Central Government as these measures were opposed by the Opposition Parties in the Parliament and proved suicidal for the ruling Congress Party as it lost power in the elections held in 1993-94 in States including Andhra Pradesh and Maharashtra.

Meanwhile, the fiscal position of the state governments also started deteriorating. The fiscal deficit (as also revenue deficits) of several state governments kept on rising in the nineteen-nineties and beyond. Even the governments of rich States like Maharashtra are currently facing financial difficulties. Regrettably, the combined fiscal deficit of the Central and the State governments put together had climbed to the unacceptably high level of 10.0 to 11.0 per cent of the relevant National Domestic Product in 2002-03. During last few years, some of the state governments have seriously started addressing their problems of fiscal deficit. The Central government has recently started linking further transfers of resources to the States to the progress of State-specific economic reforms aimed at reduction of their State-level fiscal deficits.¹⁵

The good news on the front of macro-economic management reforms is that the pre-1990 menacing pattern of "deficit financing" (i.e., printing of currency) for meeting fiscal deficit of the Centre has been effectively curbed in the post-1991 period. The autonomy of the central bank (Reserve Bank of India) for regulating money supply for controlling inflation has been assured within the limits of monetary policy. This has led the government to resort to larger and larger borrowings from the domestic market. The bad news is that the Central government borrowings have risen so high that the economy is moving towards being caught in an "internal debt trap".¹⁶ Further growth of internal debt needs to be curbed but the government is in no mood to close this easy route to finance its rising fiscal deficit. The finances of most State governments are in poorer shape and some States (like Punjab) have occasionally been resorting to market borrowings to pay for the salary bills of their employees.

Fiscal Responsibility and Budget Management (FRBM) Bill was introduced in Parliament in December 2000 and enacted in early 2002. Among other objectives, this Act aims at total abolition of revenue deficit by 2007. However, this bill is yet to be enacted due to lack of political consensus.

Monetary policy has been prudently conducted since 1991 with a view to promote non-inflationary growth of the economy. In conjunction with other economic reforms, especially import liberalization, inflation (as measured by Wholesale Price Index) had been brought reasonably under control by 1995-96 (at 4.4 per cent level well below the long term trend growth rate of 5.0 to 6.0 per cent per annum experienced by the Indian economy).

Macro-economic management of the external sector was also

prudently carried out to bring down current account deficit as proportion of GDP to safe levels. The Indian economy had clearly come out of the balance of payment crisis by 1993-94. External debt has also been prudently managed and poses no danger to the Indian economy.

Several efforts have been made through the Union Budget presented each year since 1991 for tax reforms.¹⁷ Tax reforms have focused on (i) expanding the tax base by including services (which were not taxed earlier); (ii) reducing rates of direct taxes for individuals and corporations; (iii) abolishing most export subsidies; (iv) lowering import duties (covered below by us under structural reforms relating to trade policies/external sector); (v) rationalizing sales tax and reducing the cascading effect of central indirect taxes by introducing Modified Value Added Tax (MODVAT) and soon-to-be implemented nationwide scheme of Value Added Tax (VAT); (vi) rationalizing both direct and indirect taxes by removing unnecessary exemptions; (vii) providing for tax incentives for infrastructure and export oriented sectors including setting up of Special (Export) Economic Zones; and (viii) simplification of procedures and efforts for improving efficiency of the tax administration system especially through computerization.¹⁸

The government has made several selectively unsuccessful efforts at controlling galloping government expenditure through downsizing the government and reducing other "unnecessary expenditure". The Government of India had set up an Expenditure Reforms Commission (ERC) under the Chairmanship of Mr K P Geethakrishnan in February 2000. The ERC had submitted ten reports to the Government by 2002. It had made several useful recommendations on this vital area of fiscal correction.¹⁹ However, political economy constraints have drastically reduced the scope for implementing several crucial recommendations made by the ERC.

Government both at the Centre and States have initiated disinvestments programmes for selling government equity (partial privatization) in several public sector enterprises for raising resources. Unfortunately, the sales proceeds from disinvestment have mostly been used for financing fiscal deficits rather than for undertaking fresh public investment or for financing social sector spending or for reducing interest burden on ballooning public debt. We discuss "disinvestment" in the section on structural reforms.

Structural reforms since 1991 have been sector-specific and have been carefully selected. The coverage of sectors under structural reforms has been extended over time. Since it would not be possible here to discuss structural reforms in detail for all sectors in the short

space available, we briefly highlight major structural economic reforms carried out since 1991 in the following selected areas:²⁰

- Trade Policy/External Sector Reforms
- Industrial Policy Reforms
- Infrastructural Sector Policies
- Disinvestment/Privitisation Policies
- Financial Sector Reforms
- Policies for Attracting Foreign Direct Investment

The following major structural reforms have been carried out in the areas of trade policy and the external sector:

1. Massive Liberalization: most Import (and Export) Licensing Requirements have been abolished leading to easy availability of all imports (except consumer goods, imports of which are now being rapidly liberalized).
2. Incremental opening up of the Indian economy through lowering import tariffs: Indian economy has been increasingly opened to import competition. The import duty has come down from an weighted average of 87.0 per cent in 1989-90 to 37.0 per cent in 2001-02 (with peak duty lowered to 30.0 per cent from 1 April 2003).
3. Reduction of Qualitative Restrictions: quotas on all products (including several consumer goods and agricultural products) have been abolished by April 2003 as agreed with the World Trade Organization.
4. The exchange rate is now largely market determined. It is worth noting that full convertibility of the Indian Rupee on Current Account was achieved under Article VIII of the IMF with effect from August 1984.
5. India offers near full convertibility on Capital Account for foreign entities. Foreign Direct Investors are freely allowed to transfer capital brought into India and to repatriate dividends. Foreign institutional investors are freely allowed to repatriate profits earned by them. These facilities are also available to Non-Resident Indians (NRIs)/Persons of Indian origin (PIOs) and their Overseas Corporate Bodies (OCBs).
6. Agri-Economic Zones and Special Economic Zones are being set up in various states of India for encouraging processing agro-based products for exports with liberal investment promotion policies and procedures.

Industrial policy has been radically liberalized for providing a larger role to private enterprises including foreign investors and Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs). The main industrial policy reforms include the following:

1. Bonfire to Licence-Permit regime: most licensing requirements for starting/expanding/diversifying industrial activities have been totally abolished at the Central level;
2. Major de-reservation of industries reserved for public-sector: except for a short list of six to seven industries for strategic reasons, all other industries earlier reserved for public enterprises have been opened for investment by the private sector;
3. De-reservation of industries reserved for small-scale sector: several Industries which were earlier reserved for production only by small-scale industries have been dereserved and are now open for production by large industrial houses in India and foreign direct investors (including NRIs/PIOs).

Policies for private investment in all infrastructural sectors including power, telecommunications, roads, ports, airports, etc., have been vastly liberalized:

1. Power Sector Reforms: private sector units under the Electricity Bill enacted in 2003 have also been allowed to enter transmission and distribution of power besides generation of power. The Independent Power Producers (IPPs) will henceforth not be required to sell power only to the bankrupt State Electricity Boards as required earlier (which discouraged private investment in power sector). Competition will henceforth be genuinely encouraged in all activities relating to production, transmission and distribution. Learning from the unfortunate experiences of foreign direct investors in power projects in India like the Enron and the AES, sovereign counter guarantees will henceforth not be offered. Power Tariff Regulatory Commissions have been set up at the Centre and in most States for fixing tariffs. Power tariffs would be independently determined and would aim at balancing the interests of both producers and the consumers.
2. National Telecom Policy: a new national telecom policy

(1999) has been framed which encourages intensive competition in all segments of telecommunications industry.

3. Special Facilities for Software Sector: considering the clear competitive edge gained by India in software and IT related services in international markets, the Government of India provides most liberal policies and procedures (including expansion of Software Technology Parks) for encouraging growth and overseas presence of Indian software companies and providers of IT related services.
4. Leasing/Management/BOT of Ports/Airports/Roads: private sector participation for investment on Build-Operate-Transfer basis and on the basis of leasing and management contracts is being encouraged in infrastructural sectors like ports/airports/roads.

Special mention must here be made of the ongoing massive National Highway Development Project (NHDP) under the Prime Minister's initiative based on public-private sector partnership model. The NHDP envisages expansion of the existing two-lane highways to four/six lanes covering 13,000 kilometres. The overall project is rated as one of the largest single highway projects in the world. Phase-I of the NHDP consists of about 5,846 kilometres of the Golden Quadrilateral connecting the four metros of Delhi, Mumbai, Chennai and Kolkata. The National Highways Authority of India is the implementing agency for this NHD Project.²¹

Although the first Disinvestment Commission, to study and prepare a road map for initiating privatization of government owned Central Public Sector Enterprises through disinvestments of equity shares owned by the government had been set up in August 1996 and the Union Government in successive budgets had been setting high targets for disinvestment proceeds, the disinvestment programme could not proceed far enough in fulfilling these expectations. The disinvestment programme got a major boost in 2001-02 when a separate Ministry of Disinvestment was set up to oversee the disinvestments process. In that year, the government modified its earlier policy of disinvestments of minority shares in non-core units and decided on strategic sale of upto 100 per cent shares in selected 'profitable' PSUs. These included, among others, Indian Tourism Development Corporation's hotels; Bharat Aluminium Company; and Videsh Sanchar Nigam Limited. During the period 1991-92 to 2002-2003, disinvestment

proceeds realized were of the order of Rs. 29,481 crore, against cumulative target of disinvestments of Rs. 68,300 crore.

Financial sector reforms were recognized as essential components of structural economic reforms when these were conceived in 1991. Since 1992, financial reforms have been incrementally extended to cover commercial banks; development financial institutions; capital market; and insurance sector.

Financial sector reforms in the banking sector had been initiated on the two reports of the Narasimham Committee (Chairman M Narasimham) submitted to the Government in 1991 and 1996.²² The major reforms carried out in the banking sector on the basis of these two reports and on the basis of the reports of several other expert committees submitted since 1996 (not listed here) include the following:

1. Prudential norms and capital adequacy norms have been established and put in place adhering to international standards recommended by the Bank of International Settlement.
2. Competition in banking sector has been encouraged by allowing free entry of private sector banks including new foreign banks (the latter now is open upto 49 per cent equity contribution).
3. Norms for operations of Non-Banking Finance Companies (NBFCs) have been formulated and implemented. These NBFCs have been permitted to hold minority equity from foreign direct investors.
4. Indian corporate entities have been liberally allowed to raise capital by resorting to external commercial borrowings.
5. Outward FDI by Indian companies has been progressively liberalized.
6. The insurance sector has been opened to the private sector with minority shareholding by foreign insurance companies. Insurance Regulatory and Development Authority (IRDA) was set up on 19 August 2000. The functions of IRDA include among others: regulation of investment funds by insurance companies; and supervision of the Tariff Advisory Committee.
7. The role of Securities and Exchange Board of India (SEBI) has been strengthened for regulating all new

issues in capital market/stock market for regulating the terms of raising capital and providing investor protection for preventing recurrence of scams.

8. The Securitization, Reconstruction of Financial Assets and Enforcement of Security Interest Act was passed by the Parliament on 21 November 2002. Asset Reconstruction Companies are being formed under this Act.
9. The supervisory and regulatory functions of the Reserve Bank of India over the banking system have been strengthened over time for enhancing transparency; accountability and market discipline.
10. The Union Budget for 2002-03 made an innovative announcement regarding measures to be taken by the Government of India for enhancing social security coverage through pension funds for all senior citizens and revamping various pension funds and provident funds on a systematic basis.

In order to attract more private Foreign Direct Investment (FDI), especially in the infrastructure and export-oriented industries, the FDI policy regime has been progressively liberalized by the government. The following major measures have been taken to further liberalize policy regime for FDI:

1. Opening up of most sectors to FDI with 100 per cent foreign equity holding in selected areas (e.g., advertising, films, development of integrated township, etc.) and simplifying procedures for expanding "automatic approval route" subject to certain value caps.
2. Liberalization of procedures for faster decision making for approving mega investment projects involving FDI (mostly in infrastructural sectors like power, telecom, etc.) by the Foreign Projects Approval Board set up by the Union Government.
3. Aggregate limit for foreign Institutional Investment (FII) for portfolio investment has been enhanced to 40 per cent.
4. Dividend balancing conditions imposed on companies have been withdrawn for most industrial investments.
5. International (multilateral) financial institutions (like the

International Finance Corporation and the Asian Development Bank) have been encouraged to invest in Indian companies through automatic approval route subject to certain conditions.

6. Special incentives have been devised for attracting FDI in manufacturing in Special Economic Zones with 100 per cent equity investment with only a small negative list of sensitive industries (such as arms and ammunitions, narcotics, alcoholic drinks, cigarettes and cigars, etc.).
7. FDI (like Indian private investment) would also benefit from the likely acceptance of the recommendations made in 2002 by the Committee on 'Reforming Investment Approval and Implementation Procedures' under the convenorship of the Secretary, Department of Industrial Policy and Promotion. These recommendations are being processed by the Government of India. They aim at cutting down extensive red tap, corruption, and frequent delays experienced by the investors. These irritants make the foreign investors believe that India is not a relatively "investment-friendly" and "business-friendly" destination for foreign investment (compared to other countries such as China and most South Asian countries). Thus, a more "investor-friendly" and procedural regime is on the anvil.

Consistent with the spirit of market-oriented and private sector led economic reforms launched since 1991, the Government of India has reoriented the role of planning in India. It has been recognized that market forces and the state should be allocated roles suiting their comparative advantage and also work together as partners in the economic development of the nation. While private initiative should be encouraged in most areas of business activities, the state should increasingly play a pro-active role in areas where private sector is either unwilling to enter or is incapable of regulating itself in social interest. The areas in which the state has comparative advantage over private sector include poverty alleviation programmes; human resource development; provision of social services like primary health and primary education; and similar other activities categorized as building human capital and social infrastructure. The state also has a new role for setting up independent regulatory authorities for encouraging genuine competition and for overseeing provision of services by the private sector in critical areas like utilities, water, telecom, stock market operations, so as to

avoid ill effects of speculation and to maintain a workable balance between the interests of the producer and the consumers.

It has been observed that economic liberalization in the organized manufacturing sector (subjected to rigid labour laws for retrenchment) has led to growth with very little additional employment. This can create serious social unrest and create fertile ground for terrorist and other anti-social activities attracting unemployed youth (including educated unemployed) in the absence of avenues for gainful employment. It has also been observed that market-based economic reforms often lead to increasing disparities between the rich and the poor and between the infrastructurally backward and more developed states. The state has to intervene and calibrate the contents and speed of market-based economic reforms to address more effectively the specific areas of "market failures/weaknesses" for optimizing growth with social justice.

The new role assigned to planning consistent with market-based economic liberalization can perhaps best be illustrated with the goals and the strategies incorporated in India's Tenth Five Year Plan (2002-07).²³ The Tenth Plan has targeted an annual growth rate of eight per cent. Along with this growth target, the government has laid down targets for human and social development which will be continuously monitored and timely corrective actions will be proposed for simultaneously achieving growth with social justice. The key indicators of human and social development targeted under this Plan inter alia include reduction of poverty ratio by five percentage points by 2007; providing gainful employment to at least those who join the labour force during 2002-07; education for all children in school by 2003; and increase in literacy rate to 75 per cent by March 2007.

The development strategy adopted for the Tenth Plan envisages:

... redefining the role of government in the context of the emergence of a strong and vibrant private sector, need for provision of infrastructure and the need for imparting greater flexibility in fiscal and monetary policies. With a view to emphasizing the importance of balanced development of all states, the Tenth Plan includes a state-wise break-up of broad developmental targets including targets for growth rates and social development consistent with national targets. The Tenth Plan has emphasized the need to ensure equity and social justice taking into account the fact that rigidities in the economy can make poverty reducing effects of growth less effective. The

strategy for equity and social justice consists of making agricultural development a core element of the Plan, ensuring rapid growth of those sectors which are most likely to create gainful employment opportunities and supplementing the impact of growth with special programmes aimed at target groups.²⁴

III

It is necessary to keep in mind some of the critical political economy dimensions of economic reforms for a better understanding of these reforms in India. We highlight below a few of these dimensions.

India's heterogeneity and unity in diversity through a stable democratic system needs to be appreciated. Governance of a country like India with one billion plus population with more than 16 officially recognized major languages and vast ethnic and religious diversities poses major challenges. India has achieved a remarkable degree of success in holding the country together through a vibrant and stable democracy.

India had governed its economy through a policy regime of centralized planning accompanied by an extensive regulatory framework for more than 40 years (1951-90) before it launched economic reforms in 1991. It has, therefore, not been easy to change mindsets of policy-makers (especially at the lower levels of bureaucracy operating at grassroots levels) and of other beneficiaries of the entrenched regime of 40 years preceeding 1991.

Building of political consensus on economic reforms across various political parties with vastly different ideologies has been a very difficult process. This has been found to be especially true under coalition governments. It was not easy to build a solid consensus even on an intra-party basis when a single party held majority at the Centre. The problems of building consensus and implementing economic reforms is complicated further when the Centre is ruled by one party (or coalition) and several other States are governed by other parties including regionally dominant State level political parties.

The rapidly increasing frequency of holding elections at the Central and State levels experienced in India during the post-1990 period of economic reforms has led the incumbent governments and the contesting opposition parties to resort to "vote-bank" politics or "competitive populism". The vested interests of groups like trade unions; producers with licenses holding a certain degree of monopoly power;

and bureaucrats with signature power for extracting "economic rents"; have often scuttled or delayed further market based economic reforms. These political economy factors perfectly explain India's "stalled" reforms in certain areas directly hurting vested interests of selected lobby groups.²⁵ The growth of regional parties and their assumption of power in many States of India has further delayed the process of simultaneous percolation of Central level economic reforms to the level of States.

Myron Weiner has recommended the need for change of mindsets of the policy makers of the state governments for more speedily spreading economic reforms throughout the length and the breadth of the country. To quote Weiner:

The pursuit of market friendly policies by state governments requires a change in the mindsets of state politicians, new skills within the state bureaucracies, and a different kind of politics. Mostly fundamentally, it requires rethinking on the part of state politicians, activists in non-governmental organizations, journalists and politically engaged citizens as to what is the proper role of government, and how and to what end limited resources should be used.²⁶

Considering the compulsions arising from the above political factors, Montek S Ahluwalia has provided the rationale for India adopting the "gradualist" approach in implementation of economic reforms and the resultant "frustratingly slow" pace of reforms (by East Asian standards) in the following words:

The compulsions of democratic politics in a pluralist society made it necessary to evolve a sufficient consensus across disparate (and often very vocal) interests before policy changes could be implemented and this meant that the pace of reforms was often frustratingly slow. Daniel Yergin (1998) captures the mood of frustration when he wonders whether the Hindu rate of growth has been replaced by the Hindu rate of change!²⁷

Last but not the least on political economy dimensions of reforms, most (if not all) political parties in power implementing market-based economic reforms since 1990 have failed to "market" these reforms to the masses as being highly beneficial for them. The opposition parties have often termed these reforms as "pro-rich" and "anti-poor". Ironically even the Congress Party, which initiated these economic reforms at the Centre, in its role as an opposition party has opposed some of the reforms (e.g., further disinvestments in public

sector undertakings). In this connection, Ashutosh Varshney has made a valid distinction between "elite based" reforms versus "mass based" reforms. Market based reforms have not drawn mass appeal nor made to arouse mass passion. The discussion of these reforms has only been confined to the ruling urban elite and has not entered the realm of mass politics. This dichotomy has clearly defined limits to economic reforms in India.²⁸

IV

In order to increase the effectiveness of post-1990 economic reforms, it is necessary to simultaneously extend these reforms from the level of the Central government to the level of State governments (and below at the third tier of local governments) for their own benefit through voluntary choice. This can be supplemented by devising a system of incentives and disincentives for devolving funds from the Centre to the States under established norms governing Centre-State relations under Indian federalism.

The maladies afflicting the finances of the state governments are similar in nature to those afflicting the central finances described above. According to the Reserve Bank of India, the Gross Fiscal Deficit of all the States of India (including the Union Territories) was estimated at 3.3 per cent in 1991-92.²⁹ Throughout the nineteen-nineties the state governments have also experience rapid rise in their revenue expenditures mainly through salaries, pensions, interest payments and subsidies (including free power to farmers in some states for political considerations). This trend has "severely constrained the states' ability to undertake development activities"³⁰ and to devote more funds to provide social services like primary education and health which are the responsibilities of the state governments under the Indian constitution. The situation has worsened after the states were forced to follow the Centre to implement the generous pay increases for government employees (including public sector enterprises, etc.) recommended by the Fifth Central Pay Commission in 1997-98. The aggregate losses of all State Electricity Boards have been mounting year after year. The restrictions enforced by the Central government on overdraft facilities to State governments have led the latter to increase their dependence on market borrowings and to divert development funds received from the Centre to meet their ballooning revenue expenditure. The State governments have often found it politically difficult to meet their targets of additional tax revenue and internal resource mobilization by improving

profitability of their loss making public enterprises. As a result of these developments, the combined fiscal deficit of all states as a proportion of GDP (after registering some reduction in 1996-97 at 2.7 per cent) had risen to 4.6 per cent in 2001-02.³¹ Thus the state government's finances (like Central government) suffer from structural imbalances, which need to be urgently addressed if economic reforms in India are to produce desired results for accelerating growth with improved competitiveness and greater social justice through human resource development.

Despite initial resistance in the Communist Party ruled State of West Bengal, all state governments (including West Bengal), in their own ways and suiting their own conditions, have implemented economic reforms in the nineteen-nineties and are continuing these reforms broadly in line with the ongoing economic reforms at the level of the Union government. Part of the driving force behind the adoption of economic reforms by the State governments was enlightened self-interest combined with healthy competitive spirit to improve their positioning and ranking among States. And part of it was the compulsion to avail of larger transfer of development funds from the Centre, which the Central government had linked to the design and implementation of economic reforms at the State level, specific to efforts made by the State governments for the required fiscal correction and to actual achievements on the selected parameters of performance. Every state government recognized the need for attracting private investment flows from both domestic investors and foreign investors (including the NRIs belonging to the concerned states). The state governments therefore progressively liberalized their policies and procedures on a competitive basis. Several of them also explicitly recognized the need for improving the state of human resource development and have been progressively expanding the activities for providing better quality of life to the population of their states. Obviously, it is not possible to provide coverage to the economic reforms launched by each state of India in this review. We, therefore, highlight only major efforts made by selected states to illustrate major state level economic reforms carried out so far.

Subsequent to the Report of the Eleventh Finance Commission on devolution of funds from the Centre to the States, the Union government had devised a scheme called the States' Fiscal Reforms Facility (2000-01 to 2004-05). Under the facility, like the International Monetary Fund's conditional Balance of Payments support facility for the needy countries, the Central government had set up an incentive fund of Rs. 10,607 crore for five years "to encourage States to implement monitorable fiscal reforms". Additional amounts by way of open market

borrowings are allowed if the state is faced with a structural adjustment burden. Under this facility, the state governments are invited to draw up a Medium Term Fiscal Reforms Programme (MTFRP) to achieve specified targeted reductions in their consolidated fiscal deficit, especially revenue deficit to zero by 2005 and reduction in their debt/ GDP ratio. The structural reforms at state levels in the following specific areas are eligible for funding under the MTFRP : (i) public sector enterprise reform; and (ii) power sector reforms.³²

The coverage of the MTFRP has been extended by the Union government to cover a Debt Swap Scheme in order to help the State governments reduce their growing public debt. This scheme is designed to help in liquidating the burden of high cost loans taken from the Central government through, allocation of additional market borrowings at currently prevailing lower interest rates.

As per information available in the Economic Survey 2002-03, several state governments have either enacted (e.g., Karnataka) or are in the process of enacting a state level Fiscal Responsibility Act (Maharashtra, Punjab and Kerala). The state level Fiscal Responsibility Acts/Bills are aimed at providing a "statutory backing to the fiscal reform process initiated by the state governments".³³

The major structural reforms carried out (and being continued for further widening and deepening) by several state governments include:

1. Measures for improving the quality of life of people through human resource development through improvements in basic public services like primary health; primary education; and rural infrastructural services like electricity, water, roads, etc. Madhya Pradesh had pioneered bringing out the first state level Human Resource Development Report in 1995. Other States have followed suit. The Planning Commission had also published a comprehensive National Human Development Report (2001) covering the latest state of human development in India and major States for which data was available³⁴.
2. Developing clusters for high-tech industries and services (e.g., software parks).
3. Setting up new Special Economic Zones and Agri-economic Zones for promoting exports;
4. Formulating state-level industrial policies for attracting

investments, both Indian and foreign direct investment including investment from Non-Resident Indians.

5. Power sector reforms by restructuring State Electricity Boards through separation of generation, transmission and distribution activities; encouraging independent power producers in private sector to invest in power sector; and setting up of "Independent" State Electricity Regulatory Authorities for availing of conditional development funds, under Accelerated Power Development Programme and Accelerated Power Development Reform Programme launched by the Central Government, and for availing of loans from the World Bank for the development of the power sector.

V

Despite the slower pace of implementation of economic reforms and certain hiccups and delays caused primarily by compulsions of democratic politics, the performance of the Indian economy under reforms as carried out so far shows a mixed picture of notable achievements and weaknesses. The performance has been impressive on some fronts; satisfactory on several other fronts and inadequate in certain respects. Tables 1 to 10 provide statistical evidence supporting these conclusions. India has still to launch harder (so called "second generation") reforms in various areas to get the best results from these reforms.

Let us first briefly enumerate the main areas in which economic reforms have yielded impressive results. To begin with, India overcame its worst economic crisis of 1990-91 through economic reforms in a remarkably short period of two years. Macro-economic stabilization reforms (along with structural economic reforms) were launched in June 1991. Through prudent macro-economic stabilization policies including devaluation of the rupee and other structural economic reforms (with initial balance of payment loan support from the IMF for just 18 months), the BOP crisis was clearly over by the end of March 1994. The forex reserves had risen to more than adequate level of US\$ 15.07 billion and the current account deficit as a percentage of GDP had been nearly eliminated. Export growth rate at 20.0 per cent in 1993-94 over the previous year was quite encouraging. (See Table 1).

Macro-economic stability has been enduring in the past 10 years of economic reforms in India (1992-93 to 2002-03). Foreign

exchange reserves (foreign currency assets) as shown in Table 1 peaked at US\$ 70 billion at the end of March 2003 (and had touched US\$ 80 billion in June 2003).³⁵ The current account after 23 years "recorded a surplus—equivalent to 0.3 per cent of GDP—in 2001-02".³⁶ Food stocks with the Food Corporation of India for ensuring adequate national food security in 2001-02 had peaked at 60.0 million tonnes compared to the needed 20 million tonnes creating problems of plenty! It took longer to control inflation but efforts in this direction yielded relatively more enduring results (excluding impact of externally determined fuel prices). As Table 1 shows, inflation reached its lowest level of 2.5 per cent at the end of 2000-01 compared to the high of 13.6 per cent in the crisis year of 1991-92. This partly reflect the gains from import liberalization. The country is currently (2002-03) facing a regime of lower interest rates and these are set to go down further in 2003-04. These performance indicators have helped to provide "enabling environment for the macro-economic policy stance".³⁷

India has also been increasingly integrating its economy with the global economy. After half a century of inward-orientation (1950-90), the share of India's trade (exports plus imports) as a proportion of GDP had risen from 13.1 per cent in 1990 to 20.3 per cent in 2000. (See Table 8). By Indian standards, this was an impressive performance. We will have more to say on India's comparative (global) performance on selected economic indicators a little later in this and other sections.

The Indian economy has also successfully moved into a higher trajectory of growth and displayed strong dynamism in selected sectors based on international competitive advantage. This encouraging performance brightens the prospects for stepping up India's growth rate and improving the competitive edge in the years to come through further appropriate economic reforms.

Table 1 shows that the Indian economy had moved into a higher growth path since 1994-95 based on the foundation of macro-economic stabilization and consolidation completed by 1993-94. The economy achieved a growth rate of 6.3 per cent in 1994-95 which rose to a peak rate of 7.8 per cent in 1996-97. However, this peak rate of growth could not be maintained. The rate of economic growth fell thereafter. India experienced an industrial slowdown for three years in a row due to slackness of domestic and international demand. Industrial growth has started reviving in 2002-03. Unfortunately, India experienced drought conditions and recorded a significant negative growth rate of agricultural output (at 3.1%) in the same year. The services sector (now accounting for 50 per cent of GDP) has been the most dynamic sector in the post-

1991 period. The services sector registered double digit growth rates in the years 1995-96 and 1999-2000. (See Table 1).

The average annual growth rate of 5.8 per cent achieved by the Indian economy during the last 11 years of economic reforms (1992-93 to 2002-03) is encouraging. Currently, after China, India is among the fastest growing countries in Asia. (See Table 7). Since the annual rate of growth of population of India has come down significantly to nearly 1.8 per cent during the nineteen-nineties, per capita income has been growing at a healthier real growth rate of 4.0 per cent per annum.

India's growing middle class of more than 350 million people with a reasonably affluent standard of living and around 670 million educated people provide a huge market for international business (imports as well as foreign direct investment), especially after April 2003 when all quantitative restrictions had been lifted against imports as agreed with the World Trade Organization.

Along with a fairly good growth rate (although much below India's potential growth rate of 8.0 per cent targeted by India's Tenth Five Year Plan), India has been successful in reducing the incidence of poverty. The poverty ratio (people below poverty line) estimated by the Planning Commission at the national level came down from 36.0 per cent in 1993-94 to 26.1 per cent in 1999-2000. The poverty ratio during this period declined both in rural areas and in urban areas. (See Table 4). Despite some controversies generated in the literature on the degree of poverty reduction during the years of post-1990 economic reforms, there is little doubt that poverty in India has been getting reduced during the last decade. The Planning Commission has set up a target of poverty ratio at 19.3 per cent by the end of the Tenth Plan Period (March 2007) as shown in Table 1.

An important indicator of gains from economic reforms, reflecting the degree of attractiveness of India as an investment destination among foreign investors, is the increasing inflows of both FDI and Foreign Institutional Investors (FIIs) into India. Table 2 provides the relevant data for inflows of foreign investment during the years 1991-92 to 2001-02. Actual inflows of both FDI and FII varieties into India has been increasing over these years as shown in Table 2. On an average, India has been attracting US\$ 2.5 billion to 3.0 billion FDI per annum mostly in infrastructural sectors (like mega power and telecom projects). Despite unfortunate experiences of Enron (US based company) in the power sector, due to problems on both Enron's side and the Indian side, foreign investors are likely to find the Indian market increasingly more attractive in future.

However, India's experience in attracting FDI, presented, above pales into insignificance when we compare it with the experience of China and several South East Asian countries even after the eruption of the South East Asian financial crisis of 1997-98. (See Table 3). As pointed out earlier, FDI is particularly wary of procedural delays; red tape; and corruption (especially at the lower rungs of bureaucracy and at the grassroots levels); rigid labour laws; and infrastructural constraints prevailing in India.

The Indian economy under post-1990 economic reforms has made rapid strides in selected industrial areas and knowledge-and-skill intensive services. These specific growth areas have experienced significant restructuring under more competitive conditions in the market-place through mergers and acquisitions and technological and managerial innovations. This has led to achievement of recognizable increase in the degree of international competitiveness of the relevant sectors. The most dynamic sectors in this respect have been (i) auto components; (ii) telecommunications; (iii) software; (iv) pharmaceuticals; (v) biotechnology; (vi) R&D; and (vii) professional services of scientists, technologists, doctors, nurses, teachers, management professionals and the like. The spillover effects of India's increasing international competitiveness in most of these sectors have helped in improving the rate of growth of export earnings. They have also directly benefited Indian consumers through better quality and lower prices (e.g., in telecommunications). India has emerged as a significant source for outsourcing of Information Technology enabled services.

Indian presence in the global market is also seen to be incrementally increasing through outward FDI. Indian multinational corporations have emerged in selected global markets. This trend is likely to be intensified in the coming years.

As noted below, the Indian economy under post-1990 reforms has recorded mixed results. After reviewing major gains recorded, we now highlight areas of major weaknesses of the economic reforms as designed and implemented in India.

The most notable weakness of the reform process has been on the front of fiscal consolidation. As stated earlier, both the Centre and States have miserably failed to reign in growing revenue deficits and reducing overall fiscal deficit. (See Table 1). The foundations of sustainable high growth rate of an economy lie in maintaining fiscal discipline. This has not been adequately realized by the Indian policy-makers. A worrisome feature of India's Central public finances has been the declining trend in the Tax Revenue to GDP ratio. As per Government

of India's Economic Survey 2002-03, the ratio of total tax revenue of the Union Government had declined from 10.1 per cent in 1990-91 to 8.1 per cent in 2001-02. This declining trend has made the task of reducing fiscal deficit much more difficult. The stagnating ratio of domestic savings and as a percentage of GDP at around 24.0 per cent during the years 1996-97 to 2001-02 (see Table 1), has constrained possibilities of accelerating the growth rate of the economy.

Excessive use of market borrowings to cover budget deficits has often put upward pressure on interest rates and pre-empted ("crowded out") borrowings by the private sector. The structure of revenue expenditure and political obstacles to reduction of subsidies and downsizing the government at all levels (through reduction of jobs) have been primarily responsible for lack of progress on fiscal reforms. The real issue in restructuring government finances is "rightsizing" the government through adequately increasing government expenditure on infrastructure of both hard and soft varieties based upon growing resources.

India's record on social development expenditure has been poor considering Indian requirements and by relative standards of many developing countries of the world, including some of the least developed countries in Sub-Saharan Africa. The abysmally low ranking of India on the Human Development Indices computed by the United Nations bears testimony to this assertion³⁸. Dreze and Sen had remarked in 1995 that India's social development indicators in 1991 (when massive reforms were launched) were lower than in several East and South East Asian countries three decades ago.³⁹ As can be seen from Table 7, public expenditure on education as a percentage of total government expenditure in 2000 was the lowest at 5.0 per cent among seven dynamic East Asian Countries listed in that Table (with China at 12.7%) and South East Asian Countries (with Thailand at the 31.0%).

India must bridge this social development gap by significantly increasing its public expenditure on social services like education (especially primary education) and health (especially primary health) if it wishes to achieve the target annual growth rate of 8.0 per cent set by the country's Tenth Plan. As Montek Singh Ahluwalia aptly remarked, larger investment in the social sectors is "necessary not only because social development is an end in itself, but also as a precondition of accelerating growth".⁴⁰

The required massive shift in the pattern of government expenditure in India in favour of social sectors and infrastructure can only be carried out through structural fiscal reforms. The Fiscal Responsibility

and Budget Management (FRBM) Act, enacted by Parliament in early 2003, among other goals has provided for complete elimination of the revenue deficit by 31 March 2008. This Act is, therefore, a step in the right direction. However, as C Rangarajan has pointed out, despite involving "dilution of the original draft (FRBM) bill, it is an important legislation because it sets a condition that the government can run a fiscal deficit only if the borrowings are made to finance investments which will enhance the productive capacity".⁴¹

Another very major weakness of Indian economic reforms is the economy's experience with "jobless growth" in the post-1990 period. The market driven economic reforms under rigid labour laws relating to retrenchment of labour have led to very little growth in the organized manufacturing sector. As a labour surplus country, there already exists a huge backlog of both "open" and "disguised" unemployment. With growing population, every year there is fresh addition to the labour force. Economic reforms have accelerated growth but failed to generate adequate employment. Table 5 provides some relevant data. It is distressing to note from this Table that the rural unemployment rate after declining to 5.61 per cent in 1993-94 had gone up to 7.21 per cent in 1999-2000 and so had the All-India (urban plus rural) rate of unemployment. If this disturbing trend is allowed to continue, it will breed social unrest and add to the rank of terrorists and other anti-social elements in the country.

Last but not the least, economic reforms based on market economy have led to growing disparities among the relatively infrastructurally backward ("poorer") and more developed ("richer") states during the period 1991 to 2001. Although the all-India average annual growth rate during 1991-92 and 2002-03 has been of the order of 5.8 per cent, this marks wide variations in inter-state growth rates; growth of per capita income; and levels of social development measured by the composite Human Development Index as devised and published by the Planning Commission in its National Human Development Report 2001. Table 6 presents statistical evidence of growing inter-state disparities on the basis of selected parameters.

Data for the period 1995-96 to 2000-01 show that seven states have registered higher than 6.1 per cent national annual growth rate for this period. These include: Gujarat (6.7%); Himachal Pradesh (6.6%); Karnataka (8.0%); Maharashtra (6.5%); Rajasthan (6.2%); Tamil Nadu (7.4%). Bihar recorded the lowest growth rate (4.0%) during this period.⁴²

The pattern of growth of per capita SDP (at current prices) of India's 15 major states for three years 1980-81, 1990-91 and 2000-01

can be seen from Table 6. In 1990-91, states ranked for Per Capita SDP (in descending order) were: 1) Punjab (Rs. 8177); 2) Haryana (Rs. 7721); 3) Maharashtra (Rs. 7612); 4) Gujarat (Rs. 6343); 5) Tamil Nadu (Rs. 5541); 6) Kerala (Rs. 5110); 7) West Bengal (Rs. 5072); 8) Karnataka (Rs. 4975); 9) Rajasthan (Rs. 4883); 10) Madhya Pradesh (Rs. 4798); 11) Assam (Rs. 4432); 12) Andhra Pradesh (Rs. 4316); 13) Uttar Pradesh (Rs. 3937); 14) Orissa (Rs. 3236); and 15) Bihar (Rs. 2966). In 2000-01 the comparable rankings were: 1) Punjab (Rs. 25048); 2) Haryana (Rs. 23742); 3) Maharashtra (Rs. 23726); 4) Tamil Nadu (Rs. 19998); 5) Kerala (Rs. 19463); 6) Gujarat (Rs. 19228); 7) Karnataka (Rs. 18041); 8) Andhra Pradesh (Rs. 16373); 9) West Bengal (Rs. 16072); 10) Rajasthan (Rs. 11986); 11) Madhya Pradesh (Rs. 10803); 12) Assam (Rs. 10198); 13) Uttar Pradesh (Rs. 9721); 14) Orissa (Rs. 8547); and 15) Bihar (Rs. 5108). Thus the poorest State of Bihar became poorer in relative terms during 1990-91 to 2000-01. Compared to the all-India average per capita income of Rs.5365 in 1990-91, per capita SDP of Bihar was Rs.2966 (56%), but the comparable percentage for Bihar in 2001-02 dropped to 29 per cent. The comparative ascent of the Southern States of India on the growth rate ladder during the period 1990-91 to 2001-02 is remarkable.

As regards the composite Human Development Index (HDI), Table 6 confirms that between 1991 and 2001, Bihar continued to remain the most backward. Other states which were poorer in terms of SDP also could not significantly improve their HDI ranking among states. Orissa's rank in fact came down among 15 states from 12 in 1991 to 11 in 2001. So also for Uttar Pradesh from rank 14 to rank 13. Thus judged by the HDI criteria, traditionally relatively backward States of India do not seem to have been able to reap much benefits under market driven economic reforms. This may be largely due to deficiencies in the quality of governance of these states.

Most state governments are presently not well prepared for meeting the challenges posed by globalization under the global trading and investment regime being evolved by the World Trade Organization (WTO). The farming sector and the innumerable small scale industrial units are more vulnerable to the impact of global competition through further opening up of the Indian economy to competition from imports and from the multinational corporations based in the developed countries. The government and the economic players in the private sector need to work more closely as partners for evolving strategies for more effectively meeting the challenges of global competition on an improved level playing field.

VI

The Indian economy under post-1990 reforms has been intensifying its efforts for closer integration with the global economy and with the leading regional trading "blocs". Table 8 provides supporting evidence for this assertion based on three indicators in a comparative framework of selected developed and developing countries. The three indicators used are: (i) trade in goods and services as proportion of GDP; (ii) gross private capital (in) flows; and (iii) gross Foreign Direct Investment as a proportion of GDP. On all these three, China has the most outstanding performance to its credit and is clearly far ahead of India. Within the constraints of democratic politics, which have forced it to adopt incremental and relatively "softer" economic reforms portrayed above, and as a late starter (1991) for economic reforms, India can be seen to have done "reasonably well" in globalizing its economy. Thus, as Table 8 shows, the ratio of trade (exports plus imports) to GDP had increased from 13.1 per cent in 1990 to 20.3 per cent in 2000. The proportion of Gross Capital Inflows to GDP during the same period had gone up from 0.8 per cent to 3.0 per cent. And Gross Foreign Direct Investment as a percentage of GDP, which was merely zero in 1990, had risen to 0.6 per cent in 2000.

India's trading relations with major regional trading blocs in 1990 and 2000 can be seen with the help of Table 9. As this Table shows, for the year 2000, APEC was India's largest trading partner accounting for 47.4 per cent of India's global exports and 57.4 per cent of India's global imports. India had, therefore, shown keen interest in joining this forum. Unfortunately, APEC has currently imposed a moratorium on new membership.

There is naturally a sharp contrast between India and the East Asian countries in the relative rates of growth of exports due to sharp differences in their export strategies. This can be seen with the help of Table 7. The contrast is the sharpest when we compare India and China for the last 50 years (1950-2000). In 1950, both China and India had roughly similar shares in world trade. China pursued the most aggressive export strategy when it started its economic reforms in 1978, by creating export-oriented Special Economic Zones in Southern China. By 2000, China had captured around 4.0 per cent of the share of world trade. In contrast, India's share of world trade had stagnated around 0.5 per cent for three decades (1960-90) due to its inward looking policies.⁴³ By 2000, this share had moved upto 0.7 per cent. India has formulated

and is further strengthening its latest Medium Term Export Strategy (MTES) for the period 2002-07 (coinciding with the period of the Tenth Five Year Plan) for raising its share of world exports.

The MTES is described in the document on the Export Import Policy 2002-07 issued by the Government of India.⁴⁴ The MTES for 2002-07 envisages the achievement of India's target of 1.0 per cent of global trade by 2007 and provides sector-wise targets for niche products and targets for selected niche markets. Active participation of the state governments is being sought for establishing and strengthening Special Economic Zones (SEZs) modeled on the Chinese SEZs and setting up Agri-economic Zones for providing a strong push to raise the country's growth rate of exports. Infrastructural development for the SEZs to world standards will take some more time. A new labour policy regime allowing freedom to the entrepreneurs in the SEZs to "hire and fire" labour as per the needs of the market (as permitted in the highly successful Chinese SEZs) will have to be put in place to maximize gains from the SEZs in India. As of May 2003, eight SEZs in different States of India had been approved and have become operational. More such SEZs will be set up in India in the future.

India is trying its best to liberalize and to transform itself into a global player of consequence in the world economy by 2020. It has been ranked by the World Bank as the world's fourth largest nation in terms of the size of GNP measured in terms of Purchasing Power Parity (PPP) in 2001. (See Table 10). Ahead of India in 2001 on this front were only Japan, USA, and China. The World Bank has projected that by the year 2020, China will emerge as Number One and India as Number 2 in terms of GNP in PPP terms.

The Planning Commission of India had recently prepared a thought provoking and challenging document entitled *India 2020*. It envisions India as a "developed" country by 2020, free of the scourge of poverty, illiteracy, and unemployment. Table 11 provides the profile of India (now) and in the year 2020 in terms of selected parameters depicting the envisaged socio-economic development of the country, focused on improving the quality of life of its people.

Briefly, the Vision-2020 document envisages the following major transformations between 2000 and 2020:

1. Quadrupling of national income.
2. Creating 200 million jobs.
3. 100 per cent literacy; 100 per cent primary and secondary school enrollment.

4. India as a world-wide recognized knowledge-society based on its technological innovations through its own Research Development (R&D) capabilities.
5. Quadrupling of investment in infrastructure to support required economic expansion.
6. Technology- and management-driven significant enhancement of productivity in all sectors of the economy.
7. Institutionalization of Information Technology based e-governance for providing good governance to the people of India.

The thrust areas for strategic management of the efforts to fulfill targets envisaged in the Vision-2020 document would be education and employment. The jobless growth experienced under post-1990 economic reforms in India will have to be reversed to nearly full-employment growth with sustained rise in real wages to enable the people of India to afford improving the quality of their lives through knowledge and skill-intensive human resource development.

Clearly the achievement of the goals envisioned in India's Vision-2020 document will require more (and not less) economic reforms, of the harder variety (currently called "second generation" of economic reforms). Simultaneously, the emphasis will have to be placed on concrete action(s) and effective implementation of the required reforms, backed by the strongest possible political will based on national consensus among the ruling and the opposition parties at all levels of domestic governance: Central, State and district levels and at the level of Nagar Palikas (Municipal Corporations/Committees) and the Panchayati Raj Institutions (at the village level).

India clearly is on the move and next only to China has the potential for emerging as a global economic power within the next 20 to 25 years. However, this potential can be fully converted into reality only if India makes up its mind with full determination by mobilizing adequate political will and quickly commits itself to design and fully implement the next phase of harder economic reforms termed as "second generation reforms".

The talk about the need to launch "second generation" reforms has been in the air for some years by now. However, these are yet to take concrete shape and thereafter to be made operational. India must in its own self-enlightened interest launch the overdue "second generation" reforms with due regard to preserve the human face of reforms and

has no social security system in place for nearly 90 per cent of its labour force employed in the unorganized sectors, India needs to evolve a well calibrated approach to its future economic reforms. This would also be necessary for meeting the challenges posed by the further intensification of the process of globalization. However, clear prioritization of the areas for future economic reforms in India will have to be laid down during implementation of the most critically needed "second generation reforms". To this subject, we turn in the last section.

VII

The following ten selected priority areas deserve special focus for launching the required second generation of economic reforms:

- Political Reforms for Good Governance.
- Re-engineering the Role of the Government.
- Administrative and Legal Reforms.
- Strategic Management of the Economy with focus on knowledge based HRD Activities.
- Fiscal Prudence.
- Agricultural Sector Reforms.
- Industrial Restructuring.
- Labour Sector Reforms.
- Foreign Trade and Outward Investment Policies.
- Financial Sector Reforms.

Political reforms are urgently required simultaneously with economic reforms.⁴⁵ Both political and economic reforms are essential for ensuring good governance. A paradigm shift is required in the prevailing system of governance. Serving the people and putting their interests above the interests of the ruling elite must be the prime motive force driving the reformed system of governance. Good governance can be ensured through provisioning of adequate quantity and by improving the quality of public services to the people of India. Indian politicians will need to become fully aware of the costs and benefits of economic reforms for designing future reforms for maximizing the long-term welfare of the people. Under Indian democratic polity, ruling politicians with limited tenure in office are often guided by narrow and short-term horizon while formulating policies in national interest. The Indian public at large also need to be thoroughly educated regarding the inevitability of bearing short-term pain for reaping somewhat uncertain longer-term gains from economic reforms.

Economic reforms under Indian polity in future must be more people-centric. These reforms must be designed with a human face so as to continuously enhance the social empowerments of the poorer and most vulnerable sections of the society. The reforms must be gender sensitive for improving the status of women/girl child. The burden of adjustment of structural reforms must be more heavily borne by the richer sections of the society. Appropriate electoral reforms including state funding of elections in a democracy like India will help to reduce the lobbying power of the entrenched vested interest groups.

The future reforms must be aimed at "rightsizing" (often involving downsizing) the government. The "over-employment" in the size of "government" (including publicly funded activities) must be eliminated. The government must concentrate in performing roles which they alone can perform better than free market private enterprise. The government must expand its role in areas like provision of public goods such as primary health, primary education and creation of social infrastructure. The role of the Planning Commission must be changed to that of a strategic think tank. The mindset of the politicians and the administrators needs to be drastically changed to accept the re-engineered role of government in the context of market oriented economic reforms. The intensification of economic reforms at the state level would deserve higher priority in the future since most social services and infrastructural activities are primarily the responsibility of the state governments under the Indian Constitution.

No matter how good is the design and intent of economic reforms their success ultimately depends on the efficient and speedy implementation through sensitive and responsive administrative and legal systems. Transparency and accountability must be the guiding principles for the formulation and implementation of policies and procedures without fear or favour. Improved administrative systems should be devised for ensuring that the merit-subsidies directly benefit the targeted sections belonging to the underprivileged sections. Legal support services should be made available through larger public funding for providing justice to the genuinely poor and needy persons/sections of the society at faster speed and at more affordable costs.⁴⁶ The second generation economic reforms must focus on changing the mindset of the administrators, especially at the grassroots level, and of the judiciary, especially at the lower level, to support administrative and legal reforms to synergize with economic reforms for maximizing social welfare.

The macroeconomic management must be dovetailed with the

strategic management of the economy with the well-formulated national vision for the year 2020 (and beyond). Clarity, transparency and accountability (through identifiable responsibility centres) with properly designed incentive (and disincentive) systems should be the guiding principles governing strategic management of the economy. An appropriate code of conduct should be evolved and observed by the economic actors concerned, under a new managerial system of governance forming an integral part of the second-generation economic reforms. The strategic management of the Indian economy in the twenty-first century must focus on human resource development for promoting knowledge-based and skill-intensive economic activities in line with India's dynamic competitive advantage.

The fiscal deficit (especially the revenue deficit) needs to be quickly reduced. India must sincerely implement the Fiscal Responsibility and Budget Management Act. Simultaneous action is required both at the Centre and the State for raising Tax to GDP ratio by expanding the tax base (e.g., by taxing services and rich agriculturists) and improving tax administration (e.g., through computerization). Revenue deficit must be brought down to zero by the Central government as well as by all State governments in India within five years as provided for in the above-mentioned Act.

While some agricultural reforms have already been carried out in India in the post-1990 period, these are highly inadequate. Primacy must be given to agricultural reforms in all future reforms since many more jobs can be created in the agricultural sector, broadly defined, including activities related to rural industrialization and overall rural development. Both on-farm and off-farm employment potential of the broadly defined "agricultural sector" must be fully exploited. This will raise incomes of farmers and rural labour on a sustainable basis and provide much needed boost to demand for industrial products and services, thus spurring all-round economic growth.

There is an urgent need to substantially raise public investment in agriculture including irrigation, watershed development, rural infrastructure, drinking water, housing and sanitation. This will help raise productivity of Indian agriculture to international levels and in promoting rural (and interlinked urban) prosperity in India.

The second-generation reforms must reduce the perennial anti-agricultural bias by permitting free(r) exports of all "agricultural" (broadly defined) products (including cereals; fruits and vegetables; floriculture; dairy; aquaculture; etc.). India has a dynamic comparative advantage in most of the above mentioned "agro" based products. It will provide a

major boost to India's exports consistent with the new rules set by the World Trade Organization. Simultaneously, India must improve the required marketing infrastructure for taking full advantage of growing export opportunities in all "agro-related" sectors, by appropriate improvements in handling of processing and marketing activities. Thus agricultural reforms will unleash a high growth rate of agriculture on which nearly 60 per cent of India's population is still dependent for employment. "Agricultural" prosperity will help to markedly reduce endemic rural poverty.

All future industrial reforms must be geared to explicitly improve the productivity and international competitiveness of Indian industry by focusing on niche products and niche markets. Economic policy in this respect must facilitate relevant mergers and acquisitions, and winding up of terminally sick and unrehabilitated enterprises, both in the public and the private sector, by restructuring bankruptcy laws. Massive restructuring is required of public sector units. Most sick public sector units should be quickly sold through genuine privatization, subject to safeguarding interests of workers through fair compensation for loss of jobs. Public sector enterprises should be governed by commercial culture which would require government holding of no more than 26 per cent of equity to preserve only strategic control. It is of utmost importance that micro-level reforms must supplement macro-level reforms in future, to achieve synergetic effects. The private sector in India needs to become more international in its outlook for transforming its global business on competitive lines and for increasing overseas presence through outward FDI.

A properly formulated labour policy must form the core of second-generation reforms. This would require putting into place viable alternative social safety nets and effective retraining and redeployment opportunities. Once satisfactory safety nets are in place, more intensive competition should be injected in the labour market by allowing, "hire and fire" policy unambiguously linked to productivity and profitability of the micro enterprises. A beginning should be made by exempting units (including Foreign Direct Investment) from the rigorous labour laws relating to the newly created Special Economic Zones (SEZs) a la Chinese SEZs. These measures would be of great help in improving the presently widespread inefficiency-oriented "work culture", especially in public enterprises (including banks, etc.) and in services relating to social sectors (such as health care in rural areas).

No economic reforms can succeed in India without ensuring adequate growth of exports of goods and services to ensure longer-term

viability of its balance of payments. While the anti-dumping machinery needs to be strengthened to protect Indian industry from unfair import competition, the longer-term reforms must continue to lower import duties to comparable levels in leading South East Asian countries. Simultaneously policy measures should be taken by the Government of India to replace quantitative restrictions (wherever they still remain in place) by appropriately determined tariffs.

The second generation of economic reforms must facilitate the growth of India's own multinational corporations (MNCs). The government must further liberalize outward foreign investment for such potentially globally competitive Indian MNCs for establishing both production bases abroad and for pure international trading.

Finally, industry and government must make co-operative efforts to prepare Indian industry to meet the new and ever-emerging challenges posed by the new world trade order and the new world investment order being evolved under the World Trade Organization.

Learning from the East Asian economic crisis and recovery, utmost urgency ought to be attached to expedite the next phase of financial sector reforms. The currently "high" Non-Performing Assets (NPAs) of long term Development Financing Institutions as well as the commercial banks must be substantially reduced.

Greater competition in the financial sector with appropriate exit policy to reduce overstaffing, together with sound macro-economic policies, will help to lower the real rate of interest and spur investment and efficiency for raising growth and benefiting consumers. Coupled with the current regime of falling interest rates, greater competition in the financial sector in general, and among the commercial banks in particular, will help to increase the rate of investment in the economy. Simultaneously foreign insurance and pension funds should be more liberally allowed to operate in India to augment resources for financing the huge needs of modernizing India's infrastructure. Further policy and procedural reforms will help to attract substantially higher investment (including FDI) in India's infrastructural sectors (especially the power sector).

Last but not the least, credible policy measures for investor protection for the "common man" with small savings must be adopted through revamping the working of the concerned regulatory authorities. These measures, when effectively implemented, will help to re-establish investor confidence and to revive growth in India's capital markets and stock markets.

We conclude that within the constraints of democratic politics

and of the relatively "soft" nature of the economic reforms implemented since 1991, the Indian economy has experienced several welcome gains from these reforms. These gains have strengthened the conviction that the broad direction of the reforms is right and in that sense made the reform process irreversible. India needs to launch a "second generation" of economic reforms with a human face if it is to reap the full potential of these reforms. The political masters and the administrators, as policy-makers and implementers, need to drastically change their old mindsets. They need to display greater pragmatism while designing and implementing future economic reforms. The reforms must be based on a long-term vision of transforming India into a global economic power in the next 20 to 25 years. We have recommended ten priority areas for focused attention for launching second-generation economic reforms with a human face, duly calibrated to suit Indian political, economic and social conditions.

It will be of utmost importance to educate all sections of the society for mobilization of public opinion in favour of the long-term national gains from the future second generation of economic reforms. These reforms will have to be drastically redesigned and politically "marketed" to arouse mass appeal, based on the widest possible sharing of their benefits among the people of India throughout the length and the breadth of the country. Future economic reforms must be seen and experienced as not only good economics but also good politics. Two paradigm shifts in the future economic reforms, backed up by effective delivery of promises made, will help to garner popular support of the people of India in favour of the redesigned economic reforms. First, these reforms must aim to raise the productivity of Indian labour and to improve the work culture and, over time, provide significant rewards to the people of India by spurring growth and providing a higher level of real wages and generating larger avenues for employment/re-employment in the labour market. Growth with employment is the most effective strategy for eliminating poverty and improving the quality of life of the people. Second, the future economic reforms must aim at directly benefiting the people of India as consumers. Over a reasonable time span, the reforms must reduce the prices of goods and services (including public goods); improve their quality; and allow much more freedom of choice by maximizing the benefits of healthy competition. This will further expand the size of the market — both domestic and international — provide incentives to the entrepreneurs for enlarging investment; and raise output and employment. A combination of pro-productive labour and pro-consumer economic reforms will be a win-win solution, since it will simultaneously prove to be both good economics

and good politics. After all, people's vote banks manifest themselves more clearly through the common man's dual personality as a wage earner and a consumer. Visionary political statesmanship will be required, under Indian democratic polity, for redesigning future economic reforms, which will not be slogan-oriented but more result-oriented, by being perceived and experienced as being "pro-people".

Table 1
India's Macro Economic Indicators : 1989-90 to 2002-03

Indicators	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A. Growth of GDP	5.6	5.4	0.8	5.1	5.0	6.3	7.3	7.8	4.8	6.5	6.1	4.4	5.6	4.4
B. GDP Growth by Sectors:														
i. Agriculture & Allied	2.7	3.8	-2.3	6.1	3.3	4.9	-0.9	9.6	-2.4	6.2	0.3	-0.4	5.7	-3.1
ii. Industry, of Which Manufacturing	6.7	7.2	-1.3	4.1	4.2	8.3	14.9	9.7	1.5	2.7	4.0	7.3	3.4	6.1
iii. Services	6.7	5.2	4.9	5.1	6.8	6.0	10.5	7.2	9.8	8.4	10.1	5.6	6.8	7.1
C. Inflation Rate (WPI Index)	9.1	12.1	13.6	7.0	10.8	10.4	4.4	6.9	5.3	4.6	4.8	2.5	5.2	3.2
D. Current Account Balance as % of GDP		-3.1	-0.3	-1.8	-0.1	-3.1	-1.0	-1.7	-1.2	-1.0	-1.1	-0.5	-0.5	na
E. Foreign Exchange Reserves (US\$Bn.)	3.37	2.24	2.63	6.43	15.07	19.65	17.04	22.37	25.98	29.52	35.06	39.55	51.05	69.89
F. Exchange Rates (Rs/US\$)	16.6	17.9	24.65	28.96	31.37	31.4	33.45	35.42	37.16	42.07	43.33	45.51	47.69	48.44
G. Rate of Growth of :														
i. Exports	18.9	9.2	-1.5	3.8	20.0	18.4	20.4	5.3	4.6	5.1	10.8	21.0	-1.6	20.4
ii. Imports	8.8	13.5	-19.4	12.7	6.5	22.9	28.0	6.7	6.0	2.2	17.2	1.7	1.7	14.5
iii. Exports as % of GDP	6.4	6.2	7.3	7.8	8.9	9.6	10.5	10.0	9.5	9.2	9.1	10.4	9.9	na
iv. Imports as % of GDP	9.3	9.4	8.3	9.8	9.4	10.5	12.1	11.7	11.3	11.7	12.4	11.8	11.6	na
H. Fiscal Deficit as % of GDP	7.9	6.6	4.7	4.8	6.4	4.7	4.2	4.1	4.8	5.1	5.4	5.6	5.9	5.5
I. Revenue Deficit as % GDP	2.6	3.3	2.5	2.5	3.8	3.1	2.5	2.4	3.1	3.8	3.5	4.1	4.2	3.9
J. Saving Ratio as % GDP	22.3	23.7	23.1	20.0	20.2	24.9	25.6	23.2	23.1	21.5	24.1	23.4	24.0	na
K. Investment as % of GDP	24.9	27.0	23.4	23.1	21.6	25.4	26.9	24.5	24.6	22.6	25.2	24.0	23.7	na

Source: Economic Survey, Ministry of Finance, Government of India, Various Issues

Table 2
Foreign Investment Inflows into India : 1990-91 to 2001-02

		(Value in US million Dollars)										
		1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
1		2	3	4	5	6	7	8	9	10	11	12
A. Foreign Direct Investment, of which												
	FDI from NRIs	129	315	586	1314	2144	2821	3557	2462	2155	2339	3904
B. Portfolio Investment, of which		63	51	217	442	715	639	241	62	84	67	35
	Financial Institutions Investment	4	244	3567	3824	2748	3312	1828	-61	3026	2760	2021
	GDRs /ADRs	-	1	1665	1503	2009	1926	979	-390	2135	1847	1505
C. Foreign Investment Inflows (A+B):		-	240	1520	2082	683	1366	645	270	768	831	477
		133	559	4153	5138	4982	6133	5385	2401	5181	5099	5925

Source: Economic Survey, Ministry of Finance, Government of India, 2002-03.

Table 3
FDI Inflows in Selected Asian Economics
(Value in US Million Dollars)

	1996	1997	1998	1999	2000	2001
1	2	3	4	5	6	7
World	386140	478082	694457	1088263	1491934	735146
Developed Economies	219908	267947	484239	837761	1227476	503144
Developing Economies	152685	191022	187611	225140	237894	204801
Asia 93331	105828	96109	102779	133707	102066	
South, East and South-East Asia	87843	96338	86252	99990	131123	94365
China	40180	44237	43751	40319	40772	46846
India	2525	3619	2633	2168	2319	3403
Indonesia	6194	4677	-355	-2745	-4550	-3277
Korea	2325	2844	5412	9333	9283	3198
Malaysia	7269	6324	2714	3895	3788	554
Philippines	1520	1249	1752	578	1241	1792
Singapore	8608	10746	6389	11803	5407	8609
Thailand	2271	3626	5143	3561	2813	3759

Source: *Economic Survey*, Ministry of Finance, Government of India, 2002-03.

Table 4
Estimated Incidence of Poverty in India

Year	Poverty Ratio			Number of Poor (Million)		
	Rural	Urban	Combined	Rural	Urban	Combined
1	2	3	4	5	6	7
1973-74	56.4	49.0	54.9	261.3	60.0	321.3
1977-78	53.1	45.2	51.3	264.3	64.6	328.9
1983	45.7	40.8	44.5	252.0	70.9	322.9
1987-88	39.1	38.2	38.9	231.9	75.2	307.1
1993-94	37.3	32.4	36.0	244.0	76.3	320.3
1999-00	27.1	23.6	26.1	193.2	67.1	260.3
2007*	21.1	15.1	19.3	170.5	49.6	220.1

* Poverty Projection for 2007

Source : Economic Survey, Ministry of Finance, Government of India, 2002-03

Table 5
Macro-Scenario on Employment and
Unemployment

	Million (Persons)			Growth Per Annum (%)	
	1983	1993-94	1999-2000	1983 to 1993-94	1993-94 to 1999-2000
1	2	3	4	5	6
All India					
Population	718.20	894.01	1003.97	2.00	1.95
Labour Force	261.33	335.97	363.33	2.43	1.31
Work Force	239.57	315.84	336.75	2.70	1.07
Unemployment Rate (%)	8.30	5.99	7.32	----	-----
No. of Unemployed	21.76	20.13	26.58	-0.08	4.74
Rural					
Population	546.61	658.83	727.50	1.79	1.67
Labour Force	204.18	255.38	270.39	2.15	0.96
Work Force	187.92	241.04	250.89	2.40	0.67
Unemployment Rate (%)	7.96	5.61	7.21	—	-----
No. of Unemployed	16.26	14.34	19.50	-1.19	5.26
Urban					
Population	171.59	234.98	276.47	3.04	2.74
Labour Force	57.15	80.60	92.95	3.33	2.40
Work Force	51.64	74.80	85.84	3.59	2.32
Unemployment Rate (%)	9.64	7.19	7.65	-----	-----
No. of Unemployed	5.51	5.80	7.11	0.49	3.45

Source : Economic Survey, Ministry of Finance, Government of India, 2002-03

Table 6
Regional Disparities in Growth of States of India

State	Per Capita Net State Domestic Product at Current Price (New Series in Rs.)				Human Development Index: Value			Human Development Index: Rank		
	1980-81	1990-91	2000-01		1981	1991	2001	1981	1991	2001
1	2	3	4		5	6	7	8	9	10
Andhra Pradesh	1467	4316	16373		0.298	0.377	0.416	9	9	10
Assam	1329	4432	10198		0.272	0.348	0.386	10	10	14
Bihar	1022	2966	5108		0.237	0.308	0.367	15	15	15
Goirat	2089	6343	19228		0.360	0.431	0.479	4	6	6
Haryana	2437	7721	23742		0.360	0.443	0.509	5	5	5
Karnataka	1644	4975	18041		0.346	0.412	0.478	6	7	7
Kerala	1835	5110	19463		0.500	0.591	0.638	1	1	1
Madhya Pradesh	1609	4798	10803		0.245	0.328	0.394	14	13	12
Maharashtra	2492	7612	23726		0.363	0.452	0.523	3	4	4
Orissa	1352	3236	8547		0.267	0.345	0.404	11	12	11
Punjab	2629	8177	25048		0.411	0.475	0.537	2	2	2
Rajasthan	4124	4883	11986		0.256	0.347	0.424	12	11	9
Tamilnadu	1666	5541	19889		0.343	0.466	0.531	7	3	3
Uttar Pradesh	1402	3937	9721		0.255	0.314	0.388	13	14	13
West Bengal	1925	5072	16072		0.305	0.404	0.472	8	8	8
All India	1741	5365	17978		0.302	0.381	0.472			

Source : For per Capita Net State Domestic Product at Current Price (New Series in Rs.) Government of India, Economic Survey, 2002-03 and for Human Development Index : (Value and Rank), Government of India, Planning Commission, National Human Development Report 2001, New Delhi, 2002.

Table 7
Performance Indicators of India and Selected Asian Economies

Countries	Average Annual % Growth Rate of GDP -----					Average Annual % Growth Rate of Exports Value -----				Public Public Expenditure as % of GDP on ----- Total Govt. Health Edu- Expend. cation			
	1960-70	1970-80	1980-90	1990-2000		1960-70	1970-80	1980-90	1990-2000	2000	2000	2000	2000
	1	2	3	4		5	6	7	8	9	10	11	
1. India	3.4	3.4	5.8	6.0		4.7	4.3	7.4	9.6	12.7	0.9	4.1	
2. China	5.2	5.2	10.2	10.3		-	8.7	8.0	8.6	-	1.9	3.9	
3. Hong Kong	10.0	9.2	6.9	4.0		12.7	9.7	16.7	8.9	-	-	-	
4. Korea	8.6	9.6	9.4	5.7		34.7	23.5	14.9	10.1	17.4	2.6	3.8	
5. Singapore	8.8	8.3	6.4	7.8		4.2	4.2	9.8	10.4	-	-	-	
6. Malaysia	6.5	7.9	5.2	7.0		6.1	4.8	8.6	12.7	26.7	1.5	6.2	
7. Thailand	8.4	7.1	7.6	4.2		5.2	10.3	14.6	11.0	31.0	2.1	5.4	
8. Indonesia	3.9	7.2	6.1	4.2		3.5	7.2	-0.8	8.0	--	0.6	--	

Source : The World Bank; Columns 1;2;5; and 6; from *World Development Reports* 1984 and 1993 and Column 3;4;7 to 11 from *World Development Indicators*-2002 and 2003.

Table 8
Integration of India and Selected Countries
with the Global Economy

ASIA	Trade in Goods % of GDP		Gross Private Capital Flows % of GDP		Gross Foreign Direct Invest % of GDP	
	1990	2000	1990	2000	1990	2000
1	2	3	4	5	6	7
I. Developed Asia :						
Australia	26.4	34.7	9.3	17.4	3.7	5.3
Japan	17.1	17.7	6.4	10.3	1.7	0.9
Korea	53.4	72.8	6.2	11.5	0.7	3.2
New Zealand	44.1	54.5	18.0	19.2	11.6	8.3
II. Developing Asia :						
Bangladesh	17.6	31.5	0.9	3.6	0.0	0.6
China	32.5	43.9	2.5	12.7	1.2	4.3
India	13.1	20.3	0.8	3.0	0.0	0.6
Indonesia	41.5	62.5	4.1	8.5	1.0	4.2
Malaysia	133.3	201.3	10.3	16.8	5.3	2.0
Nepal	24.7	43.2	3.5	4.8	0.0	0.0
Pakistan	32.8	32.8	4.2	2.5	0.6	0.5
Philippines	47.6	98.5	4.4	48.4	1.2	2.8
Singapore	309.9	295.3	54.6	48.5	20.7	11.6
Sri Lanka	58.1	73.3	13.1	7.6	0.5	1.1
Thailand	66.1	107.2	13.5	11.3	3.0	2.8

Source: The World Banks *World Development Indicators*, 2002.

Table 9
Trends and Projections for India's Exports to and Imports from the Selected Regional Trading Groupings (2000-2025) : Values in percentage of India's Exports to and Imports from the World

	Exports to			Imports from		
Year	1990	2000	2020	1990	2000	2020
Actual/Projected	A	P	P	A	P	P
1	2	3	4	5	6	7
<i>India's Global Exports and Imports (US \$ Billion)</i>	18.20	37.10	63.60	23.30	41.30	61.20
1. APEC-21	52.06	47.40	43.44	40.98	58.68	57.41
2. ASEAN-10	4.99	6.87	7.38	6.92	9.41	13.10
3. BIMSTEC-4	2.91	4.65	5.45	1.55	1.28	1.45
4. BISTEC-3	2.90	4.51	5.30	1.55	0.80	0.98
5. EU-15	27.60	24.76	25.14	36.62	25.72	23.79
6. GCC-6	5.21	7.17	7.71	8.70	21.05	32.57
7. IOR-ARC-18	13.55	19.26	22.22	13.40	20.93	30.76
8. NAFTA-3	17.13	19.65	16.08	11.20	10.14	11.01
9. SAARC-7	2.65	4.12	4.52	1.78	0.47	0.68

Note: A - Actual and P-Projected

1. *Asia Pacific Economic Co-operation (APEC-21)*: Australia, Brunei, Canada, Chile, China, Hongkong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, P N Guinea, Peru, Philippines, Russia, Singapore, Taiwan, Thailand, USA and Vietnam.

2. *Association of South East Nations (ASEAN-10)* : Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

3. *Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Co-operation (BIMSTEC-4)*

4. *Bangladesh-India Sri Lanka-Thailand Economic Co-operation (BISTEC-3).*

5. *European Union (EU-15)*: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

6. *Gulf Co-operation Council (GCC-6)*: Bahrain, Kuwait, Oman, Quatar, Saudi Arabia and UAE.

7. *Indian Ocean Rim Association for Regional Co-operation (IOR-ARC-19)* : Australia, Bangladesh, India, Indonesia, Iran, Kenya, Malaysia, Mauritius, Madagascar, Mozambique, Oman, Seychelles, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, UAE and Yemen.

8. *North America Free Trade Area (NAFTA-3)*: USA, Canada and Mexico.

9. *South Asia Association for Regional Co-operation (SAARC-7)*: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

Source:- Charan D. Wadhva, "India's External sector" Chapter-12 in the Report of Research Project on India-2025: A Study of the Social, Economic and Political Stability, Centre for Policy Research, New Delhi, May, 2003.

Table 10
Economic Indicators of Selected Developed
and Developing Countries

Countries	Population (Million) 2001	Per Capita GNP (US \$)		GNP at PPP (US Bn.\$) 2001	Exports (Bn. US\$) 2001	Imports (Bn. US\$) 2001
		1997	2001			
1	2	3	4	5	6	7
World	6132.8	5130	5140	46403	6163.167	6354.719
Japan	127.1	37850	35990	3487	404.686	350.095
USA	284.0	28740	34870	9902	730.897	1180.497
China	1271.9	860	890	5415	266.155	243.567
Korea Rep	47.6	10550	9400	863	150.653	141.116
Indonesia	213.6	1110	680	628	56.716	31.17
Malaysia	23.8	4680	3640	198	88.521	74.384
Philippines	77.0	1220	10500	336	33.589	31.373
Singapore	4.1	32940	24740	100	121.731	115.961
Thailand	61.2	2800	1970	401	64.223	60.19
India	1033.4	390	460	2530	43.877	50.533

Source: The World Bank; *World Development Reports-2000 and 2003*

Table 11
India : Vision - 2020

Development Parameters	India Present	India 2020
1	2	3
Poverty as % of Population Below Poverty Line	26.0	13.0
Income Distribution (gini index 100=equality)	37.8	48.5
Unemployment Rate (% of labour force)	7.3	6.8
Male Adult Literacy Rate (%)	68.0	96.0
Female Adult Literacy Rate (%)	44.0	94.0
Net Primary School Enrolment Ratio	77.2	99.9
Public expenditure on education as % of GDP	3.2	4.9
Life expectancy at birth in years	64.0	69.0
Infants mortality rate per 1000 live births	71.0	22.5
Child malnutrition as % of children under 5 years based on weight for age		
Public expenditure on health as % GNP	45.0	8.0
	0.8	3.4
Commercial energy consumption per capita (Kg of oil equiv.)	486.0	2002.0
Electric power consumption per capita (Kwh)	384.0	2460.0
Telephones per 1000 population	34.0	203.0
Personal computers per 1000 population	3.3	52.3
Scientists & engineers in R&D per million population	149.0	590.0
Sectoral Composition of GDP in %		
Agriculture	28.0	6.0
Industry	26.0	34.0
Services	46.0	60.0
International trade in goods as % of ppp GDP	3.6	35.0
Foreign direct investment as % of gross capital formation	2.1	24.5
Gross FDI as % of ppp GDP	0.1	3.5

Source: Planning Commission Report (as collected by the *Financial Express* in its Supplement entitled: India 2010 published on August 30, 2003).

NOTES

1. See Government of India, *Second Five Year Plan*, New Delhi, 1956.
2. Reference may be made to following illustrative books for tracking down these "tinkering" changes in the thinking of Indian policy-makers and planners: (i) Bimal Jalan, (ed.), *The Indian Economy Reforms and Prospects*, New Delhi: Viking Publishers, 1991; and Charan D Wadhva (ed.), *Some Problems of India's Economic Policy* (second edition), New Delhi: Tata McGraw Hill Publishing Company Ltd., 1977; and Charan D Wadhva, *Economic Reforms in India and the Market Economy*, New Delhi: Allied Publishers Ltd., 1994, Ch. II.
3. See for example, John Harris, "The State in Retreat? Why has India experienced such Half-hearted Liberalization in the 80s? *IDS Bulletin* (Institute of Development Studies, Sussex, U.K.), Vol. 18, No. 4, 1987.
4. Jeffrey D Sachs, Ashutosh Varshney, and Nirupam Bajpai (eds.), *India in the Era of Economic Reforms*, New Delhi, Oxford University Press, 1991, p.1.
5. Charan D Wadhva, *Economic Reforms in India and the Market Economy*, op. cit., p. xviii.
6. For details of magnitude and diagnosis of causes of this economic crisis, see Charan D Wadhva, *Economic Reforms in India*, op. cit.
7. This can be seen from all references cited in footnotes 1,2,4 and 5. In addition see, Vijay Joshi and I M D Little, *India's Economic Reforms 1991-2001*, Delhi, Oxford University Press, 1997.
8. For further details, see Charan D. Wadhva, op. cit., Ch. I.
9. Thus the claim that India had clearly transcended the so-called "Hindu rate of growth" of GDP at 3.5 per cent per annum (trend annual growth rate) achieved for the two decades of 1960s and 1970s and had moved over to higher annual average growth rate of 5.5 per cent in the 1980s could not be accepted since the latter jump proved to be financially unsustainable.
10. The major economic reforms launched during the full five year tenure of the Narasimha Rao Government (1991-96) are highlighted in Section II.
11. There are of course, lessons to be learnt by India from the "East Asian debacle" of 1997-98 (the so-called "East Asian Financial Crisis") but these need not detract us here as most South Asian and South East Asian countries had overcome this crisis by 1999.
12. Government of India, Ministry of Finance, Department of Economic Affairs, *"Economic Reforms: Two Years After and the Task Ahead"*, Discussion Paper, New Delhi: July 1993, pp. 1-2.
13. We have drawn upon various annual issues of *Economic Survey*

produced by the Government of India (Ministry of Finance) for writing this section.

14. National Institute of Public Finance and Policy, Report on Merit and Non-Merit Subsidies, New Delhi, as cited in Government of India, *Economic Survey 2002-03*
15. For details see Government of India, *Economic Survey 2002-03*.
16. It is estimated that the interest payments currently pre-empt nearly 50 per cent of the total revenue of the Central government leaving very little resources for fresh public investment. See *Economic Survey 2002-03*.
17. For details see the relevant official annual documents *Union Budget* usually presented by the Finance Minister to the Parliament each year on 28 February 2003.
18. For the latest proposals for tax reforms, see the two (published) reports of the Committee on Reforms of Direct and Indirect Taxes (Chairman Dr Vijay L Kelkar), New Delhi: Government of India, Ministry of Finance, 2003.
19. See ten reports of the Expenditure Reforms Commission (ERC) (Chairman: K P Geethakrishnan) submitted to the Government of India, Ministry of Finance during 2000 to 2002. The main recommendations of the ERC's Reports are summarized in the *Economic Survey* (op. cit.) for the years 2001-02 and 2002-03.
20. It may be pointed out that in the vital areas of macro-economic policy including fiscal policy; monetary policy; and exchange rate policy, there is an overlap between macro-economic stabilization policies and structural reforms. The long-term growth-inducing role of all macro-economic policies can be considered under structural reforms. We focus here on sector-specific reforms. For an annual overview of structural reforms carried out in India, see Government of India *Economic Survey* for the relevant year (latest being 2002-03).
21. For further details of this and other infrastructural sector projects and policy reforms, see *Economic Survey 2002-03*, op. cit, Ch. 9
22. Government of India, Ministry of Finance, (i) *Report of the Committee on Financial System* (Chairman: Mr M Narasimham), New Delhi: November 1991; and (ii) *Report of the Committee on Banking Sector Reforms* (Chairman: Mr M Narasimham), New Delhi 1996.
23. See Government of India, Tenth Five Year Plan 2002-07 (in three volumes), New Delhi: Planning Commission, 2002.
24. As summarized in Government of India, *Economic Survey 2002-03*, pp. 41-42.

25. See. Introduction in Jeffrey D. Sachs, Ashutosh Varshney and Nirupam Bajpai (eds.) *India in the Era of Economic Reforms*, op. cit.
26. Myron Weiner, "The Regionalization of India's Politics and Its Implications for Economic Reforms" in Jeffrey D Sachs, Ashutosh Varshney and Nirupam Bajpai (eds), *India in the Era of Economic Reforms*, op. cit, Ch. 8, pp. 292-3.
27. Montek S Ahluwalia, "India's Economic Reforms: An Appraisal", in Jeffrey D Sachs, Ashutosh Varshney and Nirupam Bajpai, *op. cit.*, pp. 26-27. See also Daniel Yergin, *The Commanding Heights*, New York: Simon and Schuster, 1998.
28. For further details, see Ashutosh Varshney, "Mass Politics or Elite Politics?", in Jeffrey D Sachs, Ashutosh Varshney and Nirupam Bajpai, *India in the Era of Economic Reforms*, op. cit., Ch.7.
29. Reserve Bank of India, "Finances of State Governments: 1992-93" in the *Reserve Bank of India Bulletin*, March 1993.
30. Government of India, *Economic Survey 2002-03*, op. cit, p.5.
31. *Ibid*, p.5.
32. The information provided in this paragraph is based on Government of India, *Economic Survey 2001-02*, pp. 64-65.
33. *Economic Survey 2002-03*, op. cit, p.38.
34. Government of India, *National Human Development Report 2001*, New Delhi: Planning Commission, 2002.
35. The Rupee had started appreciating against US\$ after April 2003.
36. Government of India, *Economic Survey 2002-03*, op. cit., p. 3.
37. Reserve Bank of India, *Annual Report 2001-02*, Mumbai, Reserve Bank of India, p.I.
38. United Nations, *Human Development Report, 2002*, New York: United Nations, 2003.
39. Jean Dreze and Amartya Sen, *India: Economic Development and Social Opportunities*, New Delhi: Oxford University Press, 1995.
40. M S Ahluwalia, "India's Economic Reforms: An Appraisal" in Jeffrey D Sachs et. al. (eds.) *op. cit.*, p.74
41. "Focus on Revenue Deficit: Rangarajan" as reported in the *Business Line* (New Delhi), 10 June 2003, p.4.
42. Source: National Council of Applied Economic Research, New Delhi, *Macro Track*, September 2002.
43. As per World Bank's annual *World Development Report*, various issues and other sources.
44. Government of India, *Export Import Policy 2002-07*, New Delhi: Ministry of Commerce 2002.

45. For a discussion of the required political reforms in India, see Subhash C Kashyap, *Political Reforms for Good Governance: A Policy Brief*, New Delhi: Shipra Publications, 2003.
46. See Subhash C Kashyap (ed.), *The Citizen and Judicial Reforms under Indian Polity*, New Delhi, Universal Law Publishing Company Pvt. Ltd., 2002.

PRINCIPLES AND PROFESSIONALISM IN FOREIGN POLICY

Jagat S Mehta

I

I feel greatly honoured to be invited to this celebration. For 25 years, I have received the indulgent friendship of the founder Director, Rashpal Malhotra. It brought me to Chandigarh many times. I have seen the CRRID grow and establish a pre-eminent position in the non-official efforts to give direction to social and economic change in the country. I was here last time for a well-attended seminar when H.E. Qazi Jehangir, the former High Commissioner of Pakistan was the chief guest. Punjab suffered the most from the division of India and I was glad to see this institute is supporting Track II efforts to catalyze a constructive dialogue and functional reconciliation between India and Pakistan.

I want to use this opportunity to bask in the reflected glory of CRRID to claim that for the last 20 years, in a modest way, I too have been associated with non-governmental endeavours to strengthen civil society in India. I was President of Seva Mandir for the constitutionally stipulated limit of nine years. It has been involved in participatory rural development in over 500 villages of the Udaipur district. It started with focus on adult education but now assists in reforestation and joint forest management, water harvesting and building anicuts, promoting programmes for women's emancipation, including family planning and reproductive health and saving and micro-financing. About a 1000 village para-workers discharge specific responsibilities in the Seva Mandir family. In the last three years, in addition to these activities, we were engaged in drought relief bringing permanent improvements against recurring famines. We do not hesitate to implement governmental social, educational and economic schemes but we guard our independence by not taking any non-earmarked funds.

The other institution, with which I have been connected, is Vidya Bhawan, which was started in 1931 as a school and now as an educational society, has several institutions. Though located in a conservative princely state, it was originally inspired by Gandhiji's focus on constructive programmes as a collateral to the political struggle. Vidya Bhawan attracted national attention for its commitment to train future citizens for a democracy; it shunned caste and communal discrimination and encouraged boys and girls — the first co-educational institution in Rajasthan — to become aware of Nature and the exceptional historical heritage of Mewar. At the time of independence,

Vidya Bhawan was held up as a model and so was showered with encouragement. We were visited by four Presidents, three Prime Ministers and successive Chief Ministers. Currently it faces financial and administrative problems, which is in part a fallout of the fiscal crisis of the state. Vidya Bhawan has not lost its egalitarian non-communal thrust; it still aims to provide good education for the non-elite; but with increasing spread of high fees institutions and drying up of governmental and public support, Vidya Bhawan faces difficulties. Among the 10 institutions of Vidya Bhawan, the most recent one was started in the wake of 73rd and 74th amendments to the Constitution. Since 1997 it has been running a six-day capacity-enhancement programme for elected Sarpanches and Ward Panches of Udaipur district. Thus there is a convergence between this Institute both with Seva Mandir and Vidya Bhawan in the conviction that our democracy cannot rely simply on periodic elections for the Central Parliament and the State Assemblies; it must be strengthened from below with collateral non-official commitment to social activism.

We are here to recall P N Haksar who, in his intellectual range, had the vision to guide CRRID and its journal *Man & Development*. I met Haksar Sahib first when I was teaching in Allahabad University and he was a promising advocate at the High Court just returned with degrees from the London School of Economics and the Inns of Court. I remember him more vividly in 1947 when he waited in my office room to see Sir Girja Shankar Bajpai, the then Secretary General. Sir Girja persuaded "Babbu Haksar", as I used to call him, to join the delegation, which, under the leadership of Gopalaswami Ayyangar in January 1948, was being assembled to represent our complaint to the Security Council after the tribal intrusions into Kashmir. On return from New York, Haksar Sahib was persuaded to join the Foreign Service. He had been actively associated with the India League and so Krishna Menon insisted on his being posted to London as a kindred political spirit. However, Babbu Haksar had a very different lifestyle. Unlike Krishna Menon, who lived on countless cups of tea and biscuits, Haksar's own relaxation was in cooking rich Mughlai and Kashmiri dishes and in photography. I went with the Prime Minister to the first two Commonwealth Conferences in 1948 and 1949. Behind the scenes, Haksar helped in finding the string of words, which enabled India, even after deciding to become a Republic, to remain in the Commonwealth. We accepted "the King as the head of the Commonwealth and the symbol of our association". He was in frequent contact with progressive intellectuals in London. I remember meeting at his house anti-colonialist and anti-apartheid activists from South Africa. He was in London all through Krishna Menon's tenure as High Commissioner, but even after four years Shri B G Kher who took

over as High Commissioner, would not let him go for another year. After London, for a while he was the spokesman for External Affairs. His legal expertise made him a natural choice to lead the international conference reviewing the Geneva/Vienna Conventions on the rights and immunities of diplomats. He was the first non-ICS to be head of the ministry's administration and, by choice the first High Commissioner to Nigeria. He was sent back to London as Deputy High Commissioner but he really came into his own, when in 1967, he was called back by Prime Minister Indira Gandhi to succeed L K Jha as Principal Secretary. Anyone who saw Haksar Sahib in the late sixties as I did could not but be impressed by his commitment and zest in transforming India's polity and laying the foundations of a socialistic society. The Privy purses were abolished, banks were nationalized and the commanding heights of the economy put in the public sector under his advice. It is often stated that he then and thereafter was the most powerful official in India. What marked him was his revulsion at personal publicity. His integrity was legendary. Eventually this trait separated him from Mrs Gandhi and Sanjay, but Mrs Gandhi never lost respect for P N Haksar. She moved him to be the Vice-chairman of the Planning Commission where more directly he had the chance to give shape to national economic development.

I cannot think of any other contemporary who in depth and intellectual grasp was such a Renaissance man. He learnt Sanskrit as a young boy but his curiosity and absorptive capacity was wide-ranging. He could offhand quote Kalidas, Ghalib, Chubbuck, Shakespeare, Lenin, Newton and the Geeta and much more besides. The range of his scholarship, his reflective depth, his command over English and drafting skill is reflected in his occasional writings and the many presidential addresses he was called upon to deliver. The running theme in all of them is the call to social justice and morality in public life. I remember visiting him when he had lost his eyesight but there were many volunteers who thought it was a privilege to read to Babbu Bhai. After my visits to him, I came away struck by his undimmed intellectual agility. No one can forget the quality of his mind and his patriotic zest. Haksar Sahib was a legend in his own lifetime.

Without necessarily agreeing with me, I would like to make believe that Haksar Sahib would encourage me to reflect on the conflict of principles and professionalism in our foreign policy. I sort of belong to the decade subsequent to Haksar Sahib. Taking off from Salman Rushdie's famous novel, I would describe myself as "Midnight's Adults"— the generation which exactly straddled India's independence. We went to schools and universities before independence when the pros and cons of Pakistan were being nationally weighed. I recall heated

discussions in Allahabad and Cambridge, but my generation started its working life soon after the transfer of power. Those of us who survive are now in the eighties. We can recall the dedication and exhilarations in the lead up to independence but we live to sense degeneration and disappointment of the recent decades. I was Vice-president of Allahabad University Union in August 1942 at the time of the Quit India resolution; one colleague was killed in the protest march and the university union was suspended. Among the contemporaries and active in the union were Shri H N Bahuguna and Shri N D Tiwari who became Chief Ministers; Nurul Hasan became an eminent historian, later Education Minister in the Central Government, then Ambassador and eventually Governor of Bengal. Panditji used to come to the university union in between his terms in prison. By happenstance, I was a friend and colleague of Lieutenant Ishaque Sobani, the *only* officer who joined the RIN mutiny in 1946. He was a Muslim but in 1946 was a defiant Nehruite. Later he migrated to Karachi. I met him when my father was High Commissioner and we hugged each other like long lost brothers but the scars of partition had not healed even after six years. He had no regrets at leaving his beloved Bombay.

There is more to straddling the period before and after partition. My name was amongst the 62 War Service Officers gazetted in October 1946 as having been selected for the ICS against vacancies unfilled during World War-II. On the basis of that list, most were appointed to the IAS but a few were approved for the old Indian Political Service. Most started training at Metcalfe House in March 1947; that is before the decision to partition India was announced. Our group was the last to have been appointed to an Indian service in undivided India. Out of thirteen chosen for the Political Service, three opted for Pakistan and 10 of us were the nucleus of the new IFS. I myself, after learning of my selection, wrote and requested to defer my return by three months in order to complete the degree at Cambridge. As it happened, I flew back to Delhi in July 1947 in the same aircraft as Sir Cyril Radcliffe, who came to delineate the partition frontiers in the Punjab and Bengal. Because my father was then in the Constituent Assembly, representing Southern Rajasthan, and thanks to his friendship with Bader Tyabji, then Joint Secretary in the Assembly Secretariat, he got for me a pass for the gallery for the historic midnight meeting on 14 August when Panditji made his famous address. How can one not recall that memorable speech; the substance still echoes: 'There comes rarely in history when the suppressed soul of a nation rises to freedom. The world sleeps as India awakes to keep its tryst with destiny'. There were tears on most cheeks in the gallery. I cannot also forget being present amongst the

invitees around India Gate in what was perhaps the greatest parade of the British Empire and that too because it was both a joyous triumph and a fiasco! A million strong crowd, shouting "Mahatma Gandhi Ki Jai", "Jawaharlal Nehru Ki Jai" but also "Mountbatten Ki Jai" overran the parade ground. Lord and Lady Mountbatten returned in their carriage to the Governor General's house — overnight it had ceased to be the Viceregal Lodge — picking up a few who were in danger of being crushed by the friendly stampede. The tricolour however was hoisted for the first time.

Yet another happenstance, which substantiates my notion of being Midnight's Adults. By choice, I started working when the Union Jack stopped fluttering from the towers of the South and North Block. I dare say I must have been the only person who assumed charge in my new career on the first working day after the transfer of power in August, that too on the first floor in room 151 next to the present office of the Prime Minister earmarked in the Lutyens Baker design to be the Foreign Secretary's office. My own first office became famous by its subsequent occupants: M O Matthai, N K Seshan, O P Dhawan (now used by Bisaria and R P Singh-Private Secretaries to A B Vajpayee). Without a day's training, I had been told to take charge as Private Secretary of the Secretary General. These are personal vignettes only worth recalling at my accidental good fortune to be a fly on the wall for historic events in India's advent to freedom. Dean Acheson with reference to the Cold War which also started in 1947, called his book *Present at the Creation*. I feel I had greater justification to do so.

II

Six years ago having reached 75, I entered Vanprasth. I feel like John of Gaunt knowing he had not much time to live and while waiting for Richard II, Shakespeare gave expression through words attributed to him, which many consider as his most patriotic panegyric to his native land:

This royal throne of kings, this scepter'd isle
This earth of majesty, this seat of Mars,
This other Eden, demi-paradise; ...

Gaunt ends the patriotic invocation with anxiety:

That England, that was wont to conquer others,
Hath made a shameful conquest of itself.
Ah, would the scandal vanish with my life,
How happy then were my ensuing death!

Gaunt had earlier said, "For they breathe truth that breathe their words in pain and expressed the hope that *sad tales may yet undeaf the ears.*"

I cannot like Gaunt claim to be "a prophet new inspired". India (or what one should now call the subcontinent), though not having a moat defensive around it but with the Himalayan barrier to the north, the peninsula jutting into the Indian Ocean depends on the life-giving sub-continental rivers and seasonal monsoon; we too like the British isles have a distinct Nature-given unity.

I am not as despondent for India as Gaunt was for his native land but, like Shakespeare's Gaunt, in my old age I too would like to express both pride and patriotism and combine it with present concern about India. I fear we too have departed from our natural assets and compromised our national confidence and so damaged our international standing. The march of India to its tryst with destiny has avoidably been sluggish. I believe introspection may help to correct course and gather speed and purpose.

I must quickly add that if I still had my figurative diplomatic bowler hat on and were faced with such criticism abroad, I would muster all plausible arguments, support them with conveniently chosen comparisons, artfully deflect the criticism, refer to the "Slings and arrows of outrageous fortune", artfully deflect the criticism and figuratively start singing Iqbal's anthem "*Sare Jahan Se Accha Hindostan Hamara*". However, for the last 23 years since I retired, I have only a citizen's cap to cover a senile old head and this gives me the license to exercise the democratic duty to express my regrets.

I am not unaware of our remarkable achievements: the most comprehensive constitution, fully debated and expeditiously adopted; the banishing of famines because of democratic sensitivity; the integration of a patchwork of princely states and despite a succession of unprovoked aggressions, the country's survival in unity; the Green Revolution with overflowing warehouses of grain; the White Revolution and the world's biggest producer of milk; institutions of higher technology and professional colleges, which for decades have been providing reverse aid worth billions to the developed countries through Indian IT specialists, doctors, engineers; the progress in science as illustrated by the launching of satellites in space, etc. Arun Shourie has recently given a select but impressive list of industrial outsourcing by the most sophisticated multinational corporations of the world. We have almost as big a middle class affording consumer durables as the total population of the US and this shows that millions have prospered after independence.

But there is another side. After 56 years, we are still 124th out of 173 on the Human Development Index, lying behind many smaller and resource-poor countries. If we go outside the middle class and ask the millions in the villages and in the urban slums, our countrymen will not express faith in the subsisting governance in India. Justice has got more remote, corruption has become more rampant, water, health and job opportunities remain scarce. We still have the world's largest number of illiterates and 25 per cent live below the poverty level. There is disenchantment, which does not hesitate to compare adversely with the British or Maharaja ruled states. This growing cynicism could get explosive, especially when they see thousands of elected or aspirant politicians, some wearing Gandhi caps and Khaddar, which were symbols of disciplined austerity — affirming dedication to public interest— but known to be living in luxury and still constantly enhancing their own perquisites and emoluments. Some accumulate wealth in five years more than the old Jagirdars assembled in five generations. With legislative approval, up to rupees two crores from official revenues are allocated to an individual member to be spent according to the member's discretion. This not only makes mockery of integrated planned development but is also perceived as a cover for sleaze and cronyism. It is no secret that the political game has become a kaleidoscope where factions change allegiance for huge monetary rewards with no regard to principles or pledges to the people. Indian democracy, they now say, only belongs to the 'connected'; it marginalizes those without any "reach". After more than half-a-century of self-rule, India is a far cry from the dreams of Gandhiji and Nehru's vision of people's welfare under a democracy.

The resilient diplomatic habit would ask, "So what's special?" After decolonization, in most countries there is disappointment; many others are worse off; they border on being "failed states". It is salutary to remind ourselves that when India's independent journey started following Gandhiji, our country was morally different. For the first two decades, India's claim was not unjustified; our enthroned democracy may have had some early flaws but our politics had remained clean. Now the institution of democracy itself is used as a profession providing opportunity for ulterior selfish gains.

Fareed Zakaria in his book on the *Future of Freedom* recognizes this phenomenon of democracy not necessarily protecting liberties and welfare. The world has moved towards democracy, but the electoral politics does not strengthen the rule of law and ensure basic rights. In the context of US, he lists three institutions which have saved democracy from executive populism; the Supreme Court where judges

may be appointed for political reasons against vacancies when they occur but they hold appointments for life and so become independent guardians of citizens' rights under the Federal Constitution; secondly, the Federal Reserve System which regulates the economy and protects the dollar but is not controlled by the Congress; thirdly the armed forces now purged of the old racialism remain detached from politics. What is common to all of them is that by their very nature, they stand for long-term perspective and are not swayed by electoral politics. In the case of India, in addition to the corresponding institutions — the judiciary, the Reserve Bank and the military — in our parliamentary democracy with a removable executive, the bureaucracy with guaranteed tenures was envisaged as guardians of the permanent interests of the nation and the higher values of governance. The senior civil service was expected to place a premium on integrity and resist political populism. The Planning Commission was also envisaged as having a longer view of development but the Vice-chairman and members were changed at the whims of the government in power and so were not independent of the ruling executive. The carryover civil service 'steel frame' quietly rejoiced in the metaphor bequeathed by the British, and especially when they found that in practice, even with democratically elected ministers, they had not lost their clout or their power, be it for good or ill.

Over the last three or four decades, the civil service has slowly abdicated its values and responsibilities and therefore stands compromised in the respect it commands. Tacitly or deliberately, the steel frame has got rusted and become an adjunct of political gamesmanship. I remain persuaded that after a full length of service and some exceptional burdens, the civil service collectively *could* have preserved their right to fearless advice even along with responsibility for implementing legislative or executive direction. The senior civil servants became willing tools of the ignorant and the unscrupulous ministers. Efficiency suffered as politicians manipulated the services and merit became subordinate to pulls and pressures. The bureaucracy, as in England, should have (and could have) kept postings and promotions outside political decision-making. This was never collectively pressed by the civil hierarchy itself and of course was discouraged by the ministers. Instead of merit, suitability and performance, the line of least resistance for advancement became seniority and so no one had a full tenure in the apex appointment: the latitude was used for arbitrariness in choice and rewards for sycophancy or for favouring caste or provincial kinsmen. Work ethics and morale plummeted. There were some of the special reasons for professional abdication of advice and dissent in India. When we became independent, the Central government had many able

leaders led by the giant duo of Nehru and Sardar Patel. There was thus a willing reliance, not just on their ability but on the Congress party to provide enlightened continuity in governance. Rejecting old prejudices, Patel had persuaded the Constituent Assembly to protect the terms of the Secretary of State services in order to have available experienced administrators. But after Sardar Patel passed away in 1950 and C Rajagopalachari who succeeded as Home Minister went back to Madras in 1952, Nehru had no tall political foil left to temper his approaches with the mirror of possible distortions. Krishna Menon was Nehru's nearest intellectual companion but he lacked the insight of Patel and Rajaji. Nehru did not have administrative acumen. No doubt he was a true democrat but he did not know how to ask bland questions. At all events, he did not understand that governance requires infrastructure for policy implementation. Moreover, he overlooked that he too was not immortal and that his position and power could never be replicated. No one again would have a passport, which began with periodic stamps from different prisons of British India, which made him the greatest democratic dictator in history. His leadership influenced everything in which he was interested: certainly the direction of India's economic priorities. Surprisingly there was no challenge to the practicability of his approach. The country almost adored Nehru blindly (at least until the China crisis in 1959); even the most virulent members of the opposition secretly admired him.

In the Foreign Service where, at least superficially speaking, professionalism can come in conflict with "national interest" and patriotism, the degeneration has proved a built-in handicap and has been responsible for some very serious myopic judgements. Diplomats do not have the capacity of enforcement as one does with the backing of Municipal Law administration. International Law carries no sanction and therefore professionalism in the foreign service hinges on timely comprehension of the world and persuasion of another sovereign power, which could be an adversary. Negotiations is the heart of diplomacy; success requires sensitivity, flexibility, intelligence and ability. True professionalism must weigh the opportunity costs between the optimum and the feasible. India's special challenge is to be surrounded by small neighbours and there is nothing as difficult as diplomacy between unequal powers. We have had a few successes but, alas, if we look back in hindsight, also many stalemates and failures. Domestic public opinion plays an insidious role in the conduct of international relations, especially when representing a democracy and where the national security argument comes into play and puts sagacity at a discount. When things go wrong, instead of acknowledging failure, one readily resorts to

succumbing to the blame game, resort to scapegoatism and point to international malevolence. The game, as we know, with Pakistan, especially during the Cold War years, got more complicated because the other side while indulging in distortions could bank on great power support.

By happenstance, I had the somewhat unique opportunity to observe Nehru's direction even from a junior desk. For all intents and purposes, it was a one-man instant think-tank in foreign policy, when senior professionals abdicated their duty to advice and dissent under the rubric "Panditji knows best". The paralysis of professionalism went even when there were departures from national interest or inconsistent adherence to principles. To understand Nehru's intellectual conditioning, one must go back to the ingredients of Fabianism as prevailed in Europe in the thirties. Nehru came to believe that the Soviet Union which, after the October Revolution, had survived invasion and hostility of the West if grafted with democracy, could provide the model for India to catch up in its retarded social development. Nehru may not have had reliable information about Stalin's brutal repression, but he had first hand impressions and consequential revulsion at the rise of Nazism and Fascism and experience of the Spanish civil war. He was critical of the appeasement policies of United Kingdom and France but, like others in the European Left, discounted the growing strength and the technological dynamism of the United States. However, Nehru was prophetic in asserting detachment from bloc politics, and farseeing that defence and security must not sacrifice rational social and economic growth. He was also prescient in recognizing the mismatch between the technological sophistication in the new destructive power, especially of nuclear weapons and the rising people's political consciousness and therefore the importance of institutional democracy.

A distinction should be made between policies emanating from India and the compelled response to outside developments or, to borrow the terminology from tennis between 'forced' and 'unforced' errors. Nehru's greatest error, in my view, was an "unforced" one. He did not comprehend the significance of the Truman Doctrine proclaimed on 12 March 1947, which heralded containment and the Cold War. In the speech to the Asian Relations Conference on 23 March 1947, Nehru made no mention of the Iron Curtain, which Churchill had foreseen at Fulton in 1946 as dividing Europe and Truman had re-affirmed in his speech. Had he paid attention to Truman's policy of worldwide containment of Communism and foreseen that it would complicate decolonization and invite competitive division, curb independent discretion and impede development, he would have hesitated to accept

Mountbatten's plan. The Viceroy's argument was that to gain early independence, the lesser evil for India was to acquiesce in partition into two independent successor dominions and transfer of power in August 1947 instead of June 1948 as was announced by Attlee. Nehru overlooked what his own books had described vividly that a unique pluralist civilization had developed uniting the subcontinent. The existing integrated Indus Canal System was not discussed even by the Punjab Partition Council, much less the plans for storage planned at Bhakra on the Sutlej. Nehru was wishful in imagining that the two countries would reunite in a few years time. These unforced misjudgements wholly distorted our foreign policy and resulted in our diplomacy being dominated in countering Pakistan. India-Pakistan cold and hot wars got trapped with the partiality and prejudice of the Big Cold War. My own impression is that our prophylactic diplomacy, prior to Ayub's activism in Washington in 1953, could have been more active but it is only intellectual comfort that India is less obsessed by Pakistan than the other way round.

The original sin of accepting partition precipitated many errors in Nehru's time and subsequently, but not all, were necessarily "forced" upon India. Under the Indian Independence Act of the British Parliament, the discretion of the Maharajas in accession after paramountcy lapsed. It was hypothetically untrammelled. The Standstill Agreement with J&K, the tribal intrusion from Pakistan and the hurried accession by Hari Singhji of Kashmir could not be legally questioned by Pakistan. It led to the reference to the Security Council and the super-imposition of the Cold War on subcontinental problems. It distorted the reactions of the United States and United Kingdom, but it should nevertheless be seen — and often it is not — that the reference ultimately reflected Nehru's internationalism. Once made, the withdrawal of the offer of plebiscite was unprincipled. Who knows if before Sheikh Abdullah was arrested, a plebiscite might have confirmed the accession to India.

The disappointment with the UN created a long lasting hesitation towards the international body but even so peace remained an overriding concern for India. We pushed for decolonization through the UN and played a leading role in international peacekeeping. Nehru's principled approach also explains the respect for the separate identities of Nepal, Bhutan and Sikkim even though the last was a member of the Chamber of Princess. It was Nehru who urged Nepal to join the UN and come to Bandung. Our friendliness for Nepal got jolted by the neutralist attitude it took on the Sino-Indian crisis in 1959. It created a more lasting distortion, when in 1960 Nehru spontaneously criticized the supercession of the democratic government of B P Koirala. After all it

was India, which had affirmed the right of independent discretion and non-interference, implicit in principles of non-alignment. In all these decisions, which created complications for India, there is no evidence of professionals volunteering dissenting advice or providing drafts for Nehru's parliamentary statements. On the other hand, the one neighbour with whom our relations have remained free of major misunderstanding is Bhutan, and this is largely due to Nehru's personal visit in 1958. But in general, Nehru was insensitive towards immediate neighbours and gave them less attention than their importance warranted.

Nehru was principled in condemning the Anglo-French attitude in opposing nationalization of Suez but unprincipled in the approach to the genuine nationalism in Hungary (1956). The last could have come from an exaggerated fear of a global nuclear war or the old wishfulness about Soviet Union, but it compromised our adherence to non-aligned principles. (Tito sympathized with the Hungarians led by Nagy). It was also an unprincipled mistake for Nehru to approve (or being trapped into) the military takeover of Goa. He had pledged not to use force when he visited Kennedy. The pride in gaining independence peacefully and negotiating with France for the control of Pondichery and Chandranagore was needlessly compromised. There is no proof of officialdom trying to save Nehru from the charge of inconsistency.

Nehru was principled and utterly sincere in his opposition to nuclear weapons. He pressed for nuclear disarmament and raised his powerful voice at the Belgrade Conference (1961) against the continuing testing of nuclear weapons by the superpowers. He enthusiastically welcomed the Partial Test Ban Treaty (PTB) in 1963 even though France and China had refused to sign it. I have argued in correspondence with Perkovic, the author of *India's Nuclear Bomb* that Nehru would *not* have approved of India embarking on building a nuclear arsenal. Those Indians and foreigners, who have rationalized his favouring nuclear weapons, do so by picking on isolated, almost involuntary replies to questions on hypothetical scenarios, overlooking the overwhelming thrust of his many statements reflecting his conviction of the radiation hazard of testing and the non-practical use of nuclear weaponry. He would, of course, have objected to nuclear apartheid, embodied in the Non-Proliferation Treaty 1968 (NPT), but to argue that Nehru had wanted India to acquire nuclear weapons is to question the moral greatness of Nehru. But my thesis holds that on the important question of nuclear weapons, there was absence of professional advice either in favour or against the bomb.

Nehru's greatest failure — so it is generally alleged — was on China. Nehru was wise to defy western reservations in befriending China in 1949-50 and in accepting Tibet as a region of the country, though perhaps we surrendered too unconditionally the inherited British Imperial privileges and strategic advantage for India. The Tibet agreement was an occasion to prize open China's notions of the common boundary. Sardar Patel in 1950 and the former Secretary General Bajpai from Raj Bhawan in Bombay in 1953 advised questioning China, but Pannikar, the former Ambassador to China, and the Foreign Office hierarchy preferred to evade facing what could be an unpleasant truth. However, it is insufficiently emphasized that it was Nehru, on his own, who raised the cartographic differences between the two countries in his talk with Chou-en-Lai (1956-57) at the height of India-China friendship. The Chinese Prime Minister should in reply have affirmed honestly either the historical justification of the Chinese line or at least the practical necessity for the construction of the Sinkiang highway cutting across the barren uninhabited high plateau of Aksai Chin. The fact is that through centuries, all along, the high Himalayas was a sort of border zone where residents and traders crossed without frontier formalities. In the officials' talks (June to December 1960), we found the positive evidence, advanced by China, to support their claim was non-existent and anyway weaker than what was marshalled by India. There was no proof from Chinese sources that Aksai Chin was historically considered a part of Sinkiang or Tibet. In my view, the best time for a boundary settlement was 1957 when Nehru raised the question. He could then have even piloted a constitutional amendment through Parliament ceding or leasing the area, which provided the shortest access to Western Tibet. The hypnosis of not risking being provocative lest it damaged India's hope of non-alignment being respected by the Eastern Bloc was a false hypothesis. Official hierarchy, however, also did not follow up on Nehru's enquiry and conversations between the two premiers. Finally, after our suspicions grew when we saw small-scale Chinese maps, the Prime Minister started the correspondence with Chou-en-Lai in December 1958.

The fact of the matter is that the India-China crisis and its developing dynamics were not expected by either country. It was a case of mutual misperceptions, wishfulness traceable to the fallacies due to the prevalence, of the Cold War, but professionalism was muted. There was failure to objectively understand the other country on both sides. In 1959 China was surprised at the outrage in the Indian Parliament when an article in *Peking Review* linked Nehru to the revolt in Tibet and allegedly conniving at the escape of the Dalai Lama, overlooking that it

was Nehru who had led Indian public opinion to trust China. Unlike what is argued in practically all hindsight scholarship — written after the Officials Report — there was no analysis on the boundary question even though the maps had long shown divergence in the delineations. When in April 1960, Nehru met with his Chinese opposite number, there was no possible scope for him to accept any compromise, as the entire democratic opinion in India had felt betrayed by China. I do not recall any such serious suggestion being made at the time for a barter settlement by anyone in India. The old Fabian in Nehru (supported by like-minded Krishna Menon, then Defence Minister), even in September 1962, did not believe that China could launch massive military operations, all along the 2000-mile frontier of non-aligned India, when the actual dispute was confined to a small pocket around the watershed in Dhola in the NEFA (now Arunachal) area. It was political assertiveness not territorial claim behind China's war on India.

I was myself surprised at the professional paralysis on China when suddenly the crisis erupted in March 1959. Because the head of the division had proceeded on leave-cum-transfer, even though I was only a Deputy Secretary, I was allowed to remain the effective operational officer and continued to be in charge for the next two years (1959-61). Barring the bold warning from our Consul General in Lhasa in 1950, I found there was not a single paper in the Ministry or a dispatch from our Embassy in Peking dissenting with the conventional wisdom of the longevity of India-China friendship. I felt the Prime Minister needed to be 'provoked' to reflection. In Christmas 1959, I wrote a paper projecting on the possible deeper implications of India-China relations when we were considering whether or not to respond positively to Chou-en-Lai's suggestion to come to Delhi and discuss the boundary question. My paper remained on the desk of my superior for six months; it never reached the Prime Minister — as was my obstreperous intention — to tease his mind. It was returned to me when I was about to leave for the first round of talks with China on the basis of the joint communique issued at the end of the Prime Ministerial meeting in Delhi. The 1962 conflict inflicted a terrible humiliation on India. It figuratively killed Nehru. With professional caution, Nehru could have been warned against the euphoria, which overtook us for nearly eight years (1954-62).

There is, at present, a widespread revulsion at Nehru's leadership of India and especially his naivete on China. In hindsight and in the light of China's own subsequent policies, including relations with United States, it would seem that Nehru had a longer-term vision than did Mao-tse-tung or Chou-en-lai. We slur over the misjudgements of the other great powers. In 2003 we need not be ashamed of Nehru's hopes

for good relations with China nor for non-ideological co-operation and peace in the world. Had Nehru lived another five years (not necessarily to the age when Adenauer in Germany and Churchill in England held corresponding offices), he would have been the mentor to the world. He might have accelerated international detente even before Willy Brandt's Ost-politic. The Cold War must now be acknowledged as a monstrous avoidable paranoiac folly; today neither Russia nor China is seen as a pariah nation embarked on fomenting violent world revolutions. We may not proclaim "Hindi-Chini Bhai Bhai" from the housetops and, though the boundary is still unresolved, India-China trade exceeds five billion dollars and may double very shortly. Nehru's legacy had a positive non-ideological rationale. Nehru's hopes were, perhaps premature but so was China's ideological rigidity and military impetuosity. The guilt of non-sophistication must be shared by professionals and, if one may add, by the contemporaneous disinterestedness of academia.

Lal Bahadur Shastri's brief period as Prime Minister was a notable example when in the face of the most outrageous example of 'unforced' provocation, he first consulted the senior civil servants and the Army Generals, always posing bland questions, "What is your advice?" After listening to them, he took firm, indeed hazardous decisions. In facing Pakistan's intrusions, he approved a counter-attack across international frontier. However, at Tashkent he showed a vision of magnanimous statesmanship on the imperative of long-term peace between India and Pakistan. Shastri understood trust could only be built by withdrawal from adverse territorial occupation-a principled approach. He also repaired relations with Nepal and Sri Lanka. Better than other Prime Ministers, Shastri exemplified how optimal rationalization of governance should work in a parliamentary system. It required professional consultations and then bold unambiguous policy decisions. It was a national tragedy that Shastri's term as Prime Minister was cut short, as he combined internal and external statesmanship giving principled and moral depth to governance. His authority commanded respect for his exemplary personal rectitude. J P Narain was accepted as a Socialist and a Gandhian but Shastri demonstrated Gandhianism even with burden of responsibility.

Mrs Gandhi's period was a mixed one. Not signing the NPT in 1968 was a protest against nuclear apartheid and consistent with our favouring nuclear disarmament, but this was compromised by the Pokharan test in 1974. The test seems to have been dictated more by the domestic political calculus. There was apparently no depth reflection on the long-term strategic and foreign policy implications, nor its uncertain economic opportunity costs. The claim that it was only an explosion for

peaceful purposes was not upheld. Liberating Bangladesh was certainly a principled response to a "forced" provocation with 10 million people flooding India as refugees. Domestic opinion wholly endorsed the defiance to the threat emanating from USA in the dispatch of the aircraft carrier Enterprise, allegedly armed with nuclear missiles, to cow India into a halt or retreat of Indian forces from Bangladesh. The summary withdrawal of the Indian Army from Bangladesh within 100 days vindicated that India did not want to occupy and colonize part of what was Pakistan. After President Mujeeb was killed, allowing Mukti Bahini to raid into Bangladesh was unprincipled and counter-productive. A change of regime brought about by assassination of the President alas had to be accepted. The integration of Sikkim was also a needless departure from our own cherished principle of non-interference and the non-extension of territorial limits. Nehru had respected the separate identities of Sikkim and Bhutan; to take over Sikkim did not improve our security as it was embodied in the treaty of 1950. The Chogyal and Hope Cook were at best nuisances, no more, but predictably India's action created apprehensions among all of India's neighbours. Since then, even though not always articulated, the suspicion of hegemonic propensity of India deepened and further bedevils our diplomacy. Through these events, there is little evidence of bureaucratic dissent or shrewder professional anticipation of the consequential setbacks to India's foreign policy.

There were some impressive achievements in Mrs. Gandhi's tenure as Prime Minister in the 1976-77 period. After Bhutto withdrew his complaint with the International Civil Aviation Organization for denial of overflight rights in 1971, a succession of agreements were signed with Pakistan, indeed more than in any single year since 1947. Surprisingly, the Congress party seldom mentions it. The May 1976 Memorandum of Understanding was the most comprehensive understanding ever reached between the two countries. Diplomatic relations and over-flight authorization were restored; road and rail communication broken since 1965 were reactivated and the entire normalization was completed in eight weeks.

The goodwill generated led to unprecedented beneficial fallout. In striking contrast to 1971, Pakistan effectively handled the highjacking when an IAC plane was diverted to Lahore in August 1976; the 700 MV Salal hydel project, which had been stalemated for eight years and was about to be internationalized, was resolved through negotiations. The 1977 elections were held both in India and Pakistan and in neither country was there acrimony about relations with the other.

When the Janata government under Morarji Desai came into

power, the foreign policy atmosphere remained congenial even though Mrs Gandhi suffered a stunning defeat. Affirming continuity and Non-Alignment and with special focus on confidence building with the neighbours was entirely principled. Negotiating Water-sharing Treaty with Bangladesh on Farakka, which had been suspended because of the elections, was resumed again under the leadership of Jagjivan Ram and after two more sessions an agreement was reached in October 1977. Transit and trade were finally delinked — it had held up negotiations for years — and separate treaties were concluded with Nepal. Relations with USSR, China, USA, the Commonwealth, the Arab countries were free of friction. After the return of the Prime Minister from Eastern Europe and the Foreign Minister from the Gulf and Syria, in June 1979, was about the highest point ever reached in the conduct of India's external position, as there was no country with which our relations were acrimonious. Pakistan scrupulously respected the LOC in Kashmir and the omission at Simla had been *de facto* corrected. This high point was the result of bipartisan backing of the oft-affirmed non-aligned foreign policy of India.

The real blunder with long-term consequences occurred at the end of 1979 and the beginning of 1980. The Shah of Iran had been evicted in January 1979 and a virulently anti-American, Ayatullah Khomeini had returned from exile abroad and assumed power in Iran. It was not altogether surprising that 40 American diplomats were taken hostage in Tehran in November 1979 but, by coincidence, the Soviet Union invaded Afghanistan soon afterwards — in fact on Christmas day 1979 — and Mrs. Gandhi got re-elected in early January 1980. All these events had independent dynamics, but the hangover of the Cold War mindsets linked them without contemporaneous objectivity in analysis. The USA saw it as a developing Soviet strategic threat to the oil artery. There were thousands of articles which recalled Peter the Great's ambition for a warm water port, which echoed this anxiety. India, overlooking its own old principle against territorial violation, but taking the American fears seriously, gratuitously showed solidarity "with the time-tested friendship with the Soviet Union." Although we were in a small minority, in fact outside the Socialist bloc the only one, we broke ranks with the non-aligned consensus in the UN and refused to condemn the Soviet Union. Breznev's decision to intervene was of course misconceived, but Carter/Brezenski's strategic alarm was a fatal misjudgment. I argued at the time that there was no threat to Pakistan or to the export of oil from the Gulf. On the other hand since 1947, in my view, there never was a better moment to rationalize Kashmir and the gamut of Indo-Pakistan relations. We could have used Pakistan being

contaminated by the American false "alarm" to India's advantage. One could plausibly speculate that these heaped coincidences and the false professionalism started an adverse train, which led to a succession of grave consequences including the birth of international terror.

The fall of the Shah in Iran underlined the folly of bolstering surrogates, but the old fears were deeply entrenched. The American misjudgement led to the Strategic Defence Initiative by Carter and under Reagan the re-militarization of Pakistan and the assembling of Islamic militants from all over the Arab world who, after training, were inducted to fight with the Afghan Mujahideen combating the Soviet forces. Tensions also revived between India and Pakistan: New Delhi undermined democracy in Kashmir; the Governor B K Nehru resigned and the elections held after the National Conference splintered, were rigged and triggered the insurgency and gave the opening for the ISI to exploit the consequential disaffection. In 1986 Gorbachev indicated that if India could take a hand in stabilizing Afghanistan, Soviet forces could withdraw from Afghanistan. It was faulty professionalism that discouraged the Soviet proposal.

After the Soviets and Americans finally withdrew in 1989, Pakistan created the Talibans and acquiesced in the designs of Al-Queda and Osama-bin-Laden became the apostle of terror. From the sanctuary and support originally provided by United States and Pakistan, he planned the attack on the twin towers of the World Trade Centre. USA under Carter, Reagan and Bush; India under Mrs Gandhi, Rajiv Gandhi, Narsimha Rao, V P Singh and Gujral; and Pakistan under the successive rule of Nawaz Sharif, Benazir Bhutto and Musharraf must share the guilt of self-damage. India played straight into the hands of adversarial hawks and allowed Pakistan to be looked upon as a frontline state against "the Evil Empire." With greater professional sagacity, we could have warned USA — as indeed we had done in 1978 — and prevented the militarization of Pakistan in Pakistan's interest and kept it non-aligned. Disowning the Taliban — as is being attempted after 9/11 — would have had greater credibility. Prophylactic diplomacy took a holiday in the following decades. The elections in 1987 were so transparently fraudulent that it exacerbated the alienation of the Kashmiri's from India. All these factors created the temptation for the Pakistan ISI to exploit the disaffection in the valley and culminated in Kargil. For the first time, there were Afghans and other non-Pakistanis involved militarily in challenging Indian presence in Kashmir. There was insufficient realization, even in academia, that by poor professionalism — administrative and diplomatic — we ourselves may well have been ultimately responsible for giving the opening for the cross-border

infiltration, the flow of assistance by the ISI and the popularity of the anti-Indian factions.

January 1980 may prove as great a turning point as Hiroshima in military history. Since Hiroshima, security at least for major countries has been based on conventional-cum-nuclear deterrence. It sharpened the Cold War and, after detente, crystallized into the forecast of the Clash of Civilizations. Islam was earlier perceived as an ally against Communism but now is seen as posing a threat to the West and its institutions of freedom and democracy. Terror by its success is attracting admiration and in a *schadenfreude* satisfaction rejoices in the cruelty it inflicts. It is making itself the instrument of internationalized disaffection and a menace to all established governments and, therefore, against such phenomena as International law, globalization and a stable world order. It took 40 years for the US/USSR to recognize the non-utility of their adversarial nuclear weapons; they are discovering they have common grounds in fighting dispersed independent cells of terrorism. To hunt these elusive suicidal Pimpernels in their hideouts — be it in mosques, ravines, thick undergrowths or in urban tenements — baffles organized and technological capacity. It calls for intelligence, human ingenuity; but money does not always buy motivation. It is a challenge to political sagacity and diplomatic professionalism.

After Mrs Gandhi, there have not been many efficacious constructive foreign policy initiatives. The most tragic was the dispatch of Indian Peace Keeping Force to Sri Lanka in 1987. Even though it was 'on request', it is a striking example of policy without principles and the absence of full reflection. In response to domestic populist pressures in Tamil Nadu, the Indian Army was sent in and had to battle the LTTE, which had earlier been trained by our own intelligence. We overlooked the American experience of being bogged down in the 'foreign mud' of Vietnam or what USSR faced in Afghanistan. Rajiv Gandhi's visit to China in 1988 was important but he should have gone in the first not the last year of his Prime Ministership, by which time his reputation had lost the sheen of empathy at the death of his mother, Indira Gandhi. Joined with five others, Rajiv Gandhi put forward an action plan for total nuclear disarmament, but India no longer had international credibility after the so-called PNE and the suspicion that was harboured of our own ambition for a nuclear weapon capability. Siachen was an impetuous blunder and not a forced one. The operational possibility on the glacier is at best a remote hypothetical possibility but the astronomical cost of maintaining a large garrison at that altitude with a vast number of non-operational casualties makes it an outrage on opportunity costs of Pakistan and

India, both poor countries. The implications, one suspects, had really not been thought through. Repudiating it after the near-agreement has become more difficult with every passing year. There was either no volunteered professional advice, or in my view, poor assessment of priorities.

The international configuration was transformed in the nineteen-nineties. In 1989, the Berlin Wall was demolished with Soviet military forces looking on helplessly. In two years time, the Soviet Union disintegrated into 17 countries. The relations between the West and the USSR and China became progressively non-adversarial and followed the economical logic. The strength of India was national commitment to enlightened principles but after independence, we have lagged behind the evolving realities.

Professionalism in India has failed to recognize the change that the end of bloc politics was in essence the vindication of non-alignment with political ideology becoming irrelevant. The process led to the improvement of India-US relations but old mindsets were slow to grasp its implications and in rediscovering the logic of geography and interdependence.

In 1998, fulfilling an old pledge to security, the new coalition government authorized a series of nuclear explosions and openly declared that India was now to be treated as a nuclear weapon state. Pakistan followed; both countries have been groping to evolve nuclear weapon strategies.

What is the way forward? As in Catholicism, confession of 'sins' and mistakes is the catalyst to catharsis. In India there have been traces of the recognition of misperceptions. Nehru gave an example after the war with China when he said, "We have been living in a dream world." Shastri said at Tashkent "We have chosen to seek peaceful and friendly relations in order to keep faith with the most precious legacy bequeathed by Mahatma Gandhi. If we take the path of military glory, the ideals of non-violence, truth and human brotherhood would be lost". In my own minority view, Mrs Gandhi (probably on the advice of Haksar Sahib) was wise not to humiliate Bhutto at Simla (1972). Bhutto, of course, should have delivered on his verbal promise to step by step make the Line of Control (LOC) into an international frontier, but succumbing to the political mileage of anti-Indianism, he lacked either the vision or the political courage to do so. However, four years later Bhutto did withdraw the complaint with the International Civil Aviation Organization (ICAO). As mentioned earlier, Mrs Gandhi authorized the most comprehensive normalization ever reached with Pakistan in May 1976. For three and

half years thereafter — one must assume deliberately — Pakistan treated the LOC in Kashmir as an international frontier. In any case, as we saw in the attack on the twin towers, terror is not restrained by international legalities like recognized frontiers,

The best example of escaping the oppression of the past is how A B Vajpayee completely transformed the hostile public opinion in Islamabad by making a confession of his anti-Pakistan past. Undaunted by several setbacks, he has persisted with the same approach; the bus journey in 1999; inviting Musharaff to Agra in 2002 and despite hesitations by scholars, think-tanks, senior officers and even political colleagues, his initiative to extend the hand of friendship from Srinagar in April (2003). In these positive initiatives, there was evidence of looking ahead beyond the footnotes to history. In rising above populism, he was giving proof of statesmanship. He may yet prove that while remaining vigilant and keeping the national powder dry, but without a vision, there can be no purposeful conflict resolution — indeed diplomacy degenerates into simply public relations.

International problems are immense but many, if not most, are more complex for not having been understood in time. Jonathan Schell, the author of the best seller *The Fate of the Earth* in his latest book entitled *The Unconquerable World* encapsulates two fundamental features of our times: the uncontrollable expansion of knowledge and the revulsion of all peoples against foreign rule. The two together emaciate coercive power and, by implication, renew the old principles of international morality. The nuclear genie cannot be bottled again without principles and vision. It seems to me it was a mistake for us to change our position on the CTBT, especially as it was our own original proposal. We do not have an answer to the problem, whether we want to be included and others excluded in the nuclear powers club, or we are reconciled to limitless proliferation, or we still want to work for complete nuclear disarmament. Potentially there could be 30-40 nuclear weapon powers and if half that number pursue great power ambition, we may be risking nuclear bedlam. After the failure in Iraq, the United States in relations to North Korea and Iran has this perplexing anxiety at the arbitrariness in the distinction between "responsible" and "rogue" nations. Nobody knows where the finger may point next. Nuclear apartheid of the five, even extending it to eight (five plus India, Pakistan and Israel), cannot arrest proliferation for long. A nuclear device on a bullock cart is hypothetically possible. There is an in-built fallacy in the Kenneth Waltz's thesis of "gradual and controlled nuclear proliferation". It is also important to remember that all nuclear war scenarios end up in the

possibility of escalation to global level with hazards of worldwide annihilation and ecological disaster.

None of the old Empires lasted the expected 1000 years. It would not be surprising if, what many in the world see as the new "Imperialism" of the United States, confident of its unmatched military and economic power claiming right to unilateral action, is stumped by internationalized people's hate, which now wields the countervailing weapon of terrorism. The difficulties in Afghanistan and the current problems in Iraq, both after liberation from brutality, are suffering from avoidable errors in contemporaneous judgement. Military and nuclear power could not prevent the disintegration of the Soviet Union or smother nationalism. What is emerging is a novel and baffling horizontal bipolarity with, on the one side governments interested in order and on the other the internationalizing disaffection, which could be religious, ethnic or poverty driven. A scholar in the next century may well find that the arguments and trillions of dollars spent during these decades were rubbished by the end of the twentieth century. The real roots of insecurity or the key to stability is not fear but hunger and quest for social justice.

It is not just national self-righteousness, which provokes me to recall that at the time of independence, India was nearest to what can now be perceived as the abiding political verity of plurality, toleration, assimilation and secularism. We had recognized the overriding importance of basic rights among politically aroused people and that economic growth must reinforce the qualities necessary for a stable national or global civil society. Tragically, we compromised these civilizational assets in partition. Our respected leaders were party to the vivisection of the subcontinent and in subsequent decades compromises compounded our problems. The peoples of India, Pakistan, Bangladesh and Nepal are paying heavy penalties for flaws, but we gloss over our share in the mistakes. There is insufficient recognition how competitive beggaring the neighbour aggravated the national problems. There have been flickerings of regret at mistakes made, but India has not been blessed with sustained leadership with vision supported by high and fearless professionalism. If we want to rationalize the future, we must purge the habit of scapegoatism. I might add that in the subcontinent, the solution now is not political reunification of the sub-continent but negotiating functional co-operation between independent neighbours.

For all his faults, some I have recounted, I remain an unrepentant Nehruite. In his long preparation for power, including many years in the solitude of prisons, Nehru had read and reflected extensively. He

recognized that international politics was an age-old struggle between principles and politics, between the idealist and the realist school. Henry Kissinger in his book on Diplomacy has a chapter under the title "The Hinge: Theodore Roosevelt or Woodrow Wilson". Kissinger himself belongs to the realist school but Nehru's instincts were towards idealism of enlightened internationalism. He should have been "living at this hour" as rationality requires greater reliance on diplomacy. Compromises in diplomacy are of course unavoidable but they need not be fatal if the long view remains unjettisoned, just when military blocs in all but name are ineffective against motivated defiance showing the power of the powerless. Setbacks — some were forced errors — inflicted humiliations but, in my own experience of half a dozen negotiations, gridlocks can be overcome through constructive negotiations. India's optimal standing can be regained by diplomacy of equality and co-operation. Measured unilateralism can be a step to stooping to conquer or at least assuaging the fears of small neighbours. In modern politics condign military power has atrophied in its efficacy. Statesmanship must guard against chauvinism, which is the usual pitfall of democratic populism. The essence of Nehruism was not to rely on military power. Though he was proven naive on China, as stated earlier, the subsequent developments show that the ultimate challenge was to recapture the confidence of "other nationalisms". India is well placed to adjust to globalization but it would only be optimized if it carries the support of the subcontinent as a whole.

Our direction must have a positive vision. Fareed Zakaria argues that the European Union is an example of how negotiated adjustment of absolute sovereignty disciplines constituent members, optimizes national economic dynamism and at the same time spurs greater distributional justice. India in relation to the subcontinent can learn from the example of the European Union (EU). We must consciously recognize the benefit of regionalism in South Asia. The challenge to professional diplomacy is no greater than to bring home — as we have done before — that India sees its own selfish interest in the stability of Pakistan and correspondingly that whoever rules in Pakistan must see that they have a vested interest in secularism in India. The region must hang together; if we are not to flounder sub-optimally in development, obsessed by outdated notions of security.

AN INTIMATE RELATIONSHIP: MAULANA AZAD AND JAWAHARLAL NEHRU

V N Datta

When partition of the country seemed imminent, in 1946 and early 1947, two persons closely associated with Maulana Azad were Ghulam Rasul Mihr and Hamida Sultan. Mihr was an outstanding Urdu writer and, poet Ghalib's illuminating biographer; and Hamida Sultan was a prominent literary figure, a fervent champion of the promotion of Urdu and President Fakuruddin Ali Ahmed's sister. In his writings Mihr never missed an opportunity to admire Azad's scholarship. In his and Hamida Sultan's writings there is ample evidence to suggest that the partition had almost shattered the Maulana, and he was a shadow of his former self. I knew Hamida Sultan. She gave me a vivid and sensitive account of her meetings with Maulana Azad. She found Maulana Azad forlorn and almost broken in spirit at the thought of partition. He used to recite Ghalib's verse.

دمِ داپسین بر سرِ راہ ہے
نیز داب اللہ ہی اللہ ہے

Damey wapseen bar sarey rah hai

Azizo ab allah-hi-allah hai

(The last breath is on the way out

Dear, hold on to God.)

Azad had felt an utter sense of defeat. Who would listen to the cold voice of reason when communal passions were aroused in the name of religion? Addressing his co-religionists in Jama Masjid, Delhi, on 23 October 1947, he said:

تمہیں یاد ہے میں نے تمہیں پکارا، تم نے میری زبان کاٹ لی۔ میں نے قلم اٹھیا اور تم نے میرے ہاتھ کاٹھ دیئے۔ میں نے چلنا چاہا
تم نے میرے پاؤں کاٹ دیئے۔ میں نے کروٹ لینی چاہی تم نے میری کمر توڑ دی۔ حتیٰ کہ پچھلے سات برس کی تلخ نوا
سیاست جو تمہیں آج داغِ جدائی دے گئی ہے اُس کے عہدے شباب میں بھی میں نے تمہیں خطرے کی شاہ راہ پر چھوڑا لیکن
تم نے میری صدا سے نہ صرف احتراز کیا بلکہ غفلت اور انکار کی ساری سُنئیں تازہ کر دیں۔ نتیجہ معلوم ہوا کہ آج
نظروں نے تمہیں گھیر لیا ہے۔ جن کا اندیشہ تمہیں صراطِ مستقیم کے دورے سے لیا گیا تھا۔ سچ پوچھو تو میں جمود ہوں یا
ایک دورِ افتادہ صدا جس نے وطن میں رہ کر بھی غریب الوطنی کی زندگی گزاری ہے۔ دو قوموں کا نظریہ حیات معنوی
کے لئے مرضِ الموت کا درجہ رکھتا ہے اُسے چھوڑ دو۔

Tumhey yaad hai mainey tumhay pukara, tumney meiri zaban kaat de, mainey kalam uthaya aur turn ney meirey hath kalam kar diye. Mainey chalna chaha, tumney meyrey paon kaat diye. Mainey karwat leyni chahi, tumney meri kamar tor di. Hattah key pichley saat baras ki talalkh nowa siyosat jo tumhay aj dag-e-judai dey gaye hai, us key ahd-e-shabab main bhi mainey tumhay khatray ki shahra par jhanjhora, laykin tumney mairi sada say na siraf aitraz kiya balke ghaflat aur inkar ki sari sunnatey taza kar din, natija maloom key aaj unhin khatron nay tumhain gheyer liya hai jis ka andesha tumhain sarat-e-mustakim say ley gaya tha. Sach poocho to main jamud hoon ya aik dur-e-uftada sada jis nai watan main reh kar bhi garibulwatani ke rah guzari hai. Do kamoan ka nazariya hayat-e-manwi key liye marz-ul-maut ka darja rakhta hai, usai choro.

(Do you remember I hailed you. You cast off my tongue. I picked up my pen you severed my hand. I wanted to move forward, you broke my legs, I tried to turn over and you broke my back. When the bitter political games of the last seven years were at the peak I tried to wake you up at every danger signal. You not only ignored my call but revived all the past traditions of neglect and denial. As a result the same perils surround you today, whose onset had previously diverted you from the righteous path. Today mine is no more than an inert existence or a forlorn cry. I am an orphan in my own motherland. It was that the two-nation theory was a death-knell to a meaningful dignified life, forsake it.¹)

Both Azad and Nehru shared a vision of united India and were averse to the vivisection of the country. They were vehemently opposed to the communal ideologies being promoted by Hindu and Muslim communal bodies. Thus, Jinnah's two-nation theory, which he had expounded in his presidential address delivered at Lahore on 23 March 1940, came under attack. In his characteristic fashion, the next day, Nehru condemned it as "fantastic nonsense."

Azad and Nehru firmly believed in the vitality, richness and diversity of India's composite culture, which had been nourished and sustained through the centuries by the intermingling of the Hindu and Muslim ways of life and culture. In his presidential address, delivered at the Congress session in Ramgarh, a week before the Pakistan resolution was passed at Lahore on 23 March 1940, Azad had emphasized the uniqueness of India's composite culture. His address was greatly appreciated for its intellectual range, passionate fervour and sensitivity. He said:

میں مسلمان ہوں اور فخر کے ساتھ محسوس کرتا ہوں کہ مسلمان ہوں۔ اسلام کی تیرہ سو برس کی صدر روایتیں میرے ورثے میں آئیں ہیں۔ میں تیار نہیں کہ اس کا کوئی چھوٹے سے چھوٹا حصہ ضائع ہونے دوں۔ میں فخر کے ساتھ کہتا ہوں کہ میں ہندوستانی ہوں۔ میں ہندوستان کے ایک اور ناقابل تقسیم متحدہ قومیت کا اہم عنصر ہوں۔ جس کے بغیر اس کی عظمت کی ہیکل ادھورہ جاتا ہے۔ تمہیں اس کی تکیونی بناوٹ کا ایک ناگزیر عمل ہوں۔ میں اس دعوے کی بھی دست برداری نہیں ہو سکتا۔

Main Musalman hoon aur fakhar key sath mehsoos karta hoon key Musalman hoon. Islam ki terah sau baras ki shandaar rawayatein merey hissey main virsey mey aiyeen hain. Main taiyar nahin key uska koi chotey se chota hissa bhi zaya hone doon. Main fakhar key sath keh sakta hoon key main Hindustani hoon. Main Hindustan ke ek aur nakabley takism mutahadda kaumayat ka aham unsar hoon, jis ke baghair uski azmat ka haikal adhoora rah jata hai. Main uski tikoni banavat ka ek naaguzer amal (factor) hoon. Main is daway se kabhi dast-barder nahin ho sakta.

(I am a Muslim and proud of the fact. Islam's splendid traditions of thirteen hundred years are my inheritance. I am unwilling to lose even the smallest part of this inheritance. In addition I am proud of being an Indian. I am part of the invisible community that is Indian nationality.... I am indispensable in this noble edifice. Without me the splendid structure is incomplete. I am an essential element which has gone to build India. I can never surrender this claim.²)

Nehru's *Discovery of India*, written during his prison days in Ahmednagar Fort and published in 1946, was a firm indictment of the two-nation theory, and a strong affirmation of India's composite culture and pluralist society. Nehru acknowledged his gratitude to the Maulana, for sharing his insights into the story of medieval and modern history of India, in the writing of *Discovery Of India*. In his convocation address, delivered on 24 January 1948, at Aligarh Muslim University, which had become a hotbed of Muslim politics, Nehru explored brilliantly his own idea of India's rich cultural heritage. He said:

I am proud of India not only because of her ancient magnificent heritage but also because of her remarkable capacity to add to it keeping the doors of her mind open to fresh and invigorating winds from distant lands. India's strength has been twofold, her own inviolate culture, which flourished

throughout the ages, and her capacity to draw from other sources and add to her own.

Feeling proud of his cultural inheritance, Nehru asked his audience:

How do you feel about the past? Do you feel that you are also sharers in it, and inheritors of this vast treasure of cultural inheritance?"⁴

Despite their diverse social and religious backgrounds, Azad and Nehru had much in common. As comrades-in-arms they fought for the freedom of the country from the fetters of foreign rule and were committed to its pluralist ethos and culture. They were intellectuals who believed in using history and their wide scholarly learning for nurturing the dream of an independent, modern India. They found religious solidarities and ideologies antithetical to the process of nation-building. They were voracious readers of books on history, literature and politics. Their minds were a battlefield of ideas. In fact, they had dancing minds. They were men of learning, taste and judgment. Nehru's reading was wide. A dilettante, he was imbibing the spirit of nineteenth century Western Liberalism, Fabian Socialism and the writings of Harold Laski and Bertrand Russell. He was a regular reader of Kingsley Martin's *New Statesman and Nation*. He kept his interest in technological and scientific developments since his Cambridge days where he had obtained his tripos in the Natural Sciences. And these energies went into the vision of his India wedded to scientific outlook and progressive spirit.

Azad was a profound scholar of Islamic history and religious thought. He had assimilated the classical thinkers through Arabic translations. His knowledge and grasp of arabic in literature was so exhaustive and firm that his Urdu prose bears a deep and abiding influence of Arabic constructions. For some years in his early life Azad thought originally in the Arabic language which had made it hard for him to write in Urdu. Nehru too thought first in English, that is why his Urdu or Hindustani speeches, whatever they may be called, acquired a distinct flavour and a faltering tone.

Azad's knowledge of English was limited. Nehru's interest mainly lay in contemporary politics. He read little of the western classics, though he was fascinated by the nineteenth century Romantic poets and Romain Rolland and Edward Thompson's writings. Shakespeare finds no place in the reading list he has provided in his prison diary, 1942-1945. Nehru read impatiently and hurriedly, particularly in his train journeys. The Maulana paused, reflected, and even wrote copious marginal notes and footnotes swelling into 20 pages or so with full references. Nehru asked the how and why of things, and what are the

principals involved; the Maulana asked, "What are the chances of success in a particular situation and what are the options open?"

Both Azad and Nehru started writing first as journalists, and wrote books in prison. Azad never wrote his autobiography except a short account in his *Tazkira*, published in 1919, in which he said little about himself and concealed more. There is an oblique reference to his thwarted love affair. Nehru's letters to Lady Mountbatten, Padmaja Naidu and Amrita Sher Gill are self-explanatory. Nehru's *Autobiography* is essentially a political history of times. Nehru's prose, sparkling and animating shows signs of diffusiveness of thought, while Azad's was terse, a bit heavy and epigrammatic.

Nehru's canvas was broader, and other ages and nations were bound to him. He was greatly impressed by what he called Azad's 'luminous intellect'. In his prison diary he wondered why the Maulana's literary output was meagre despite his erudition and mastery of Arabic, Persian and Urdu. During their prison days in Ahmednagar Fort, Azad used to recite Urdu verses to Nehru which he copied in Hindi, and transmitted to his young daughter. Mostly the verses were drawn from Ghalib, Mir, Dard and Insha, but none from Iqbal. Even in *Ghuibar-i-Khatir*, the Maulana's last sigh, there is no verse quoted from Iqbal's poetry among the hundreds reproduced in the text. Azad and Iqbal never met, nor exchanged any letter.

II

In September 1923 at Delhi, Azad had presided over the Congress session. He was the youngest President elected to hold this office. He saw the Congress caught in a dilemma due to the differences between the 'changers' and 'non-changers', i.e., those who wanted to join the Council and fight for *Swaraj* and the others who wanted to remain out, and agitate as *Satyagrahis*. Due to his steadying influence he reconciled the differences, and thereby showed a sound political instinct. Gandhi was in prison, and on his return, he supported the Swarajists' Council entry. Thus he endorsed Azad's line.

Azad was again elected as the Congress President in 1940. His second Presidency from 1940-46 proved highly significant and was, in fact, a prelude to the freedom of the country. It led to far-reaching consequences: the decks were clear, the issues became sharper, and there was left hardly any room for political muddle that had often obscured the basic issues facing the country. During his presidency the crucial issues that greatly influenced the political developments were,

the Congress Ministry resignations in October 1939; the Pakistan Resolution, March 1940; the individual Satyagraha; December 1939-40; the Cripps' proposals, March 1942; Quit India, August 1942; Simla Conference, 1945; Elections 1945-46; Cabinet Mission proposals 1946; Interim government; London Conference, the Mountbatten Plan, June 1947; and Partition. Each of these themes warrants a monograph. However, I will focus on one issue which has been sadly missed, and needs attention, that is Azad and Nehru's specific roles in the period from 1940 to early 1947.

The issue of India's participation in the war in 1939 had gained primacy in Congress calculations. The question was whether or not to support the war effort in Britain's "hour of trial" when the allied powers were losing one battle after another in Europe, North Africa, Burma and the Indian Ocean. What was the Congress to do in such a situation? The Congress Working Committee proceedings, the Intelligence reports and especially the Coupland Dairy at Rhodes House, Oxford, throw valuable light on the attitude of the top-ranking Congress leaders on the war issue. It is clear that on the war support to the British, the Congress was virtually on the verge of a split. Never perhaps in the history of the Congress, were the ideological differences between the contending groups within the Congress so sharp and intense as in the years 1939-42.

Azad took the view that India should support the war effort provided Britain took positive steps to advance her cause for self-government, though he was, willing to share the British view that complete freedom to India during the war was impossible for reasons, I need not go into. But Gandhi was determined not to support the British war effort. He adhered to his principle of non-violence which had become an article of faith with him and a master-passion of his existence. He also thought that the British were going to lose the war. Gandhi too, like Azad, stuck to his own views and there was no compromise.

The Wardha Congress Working Committee, held on 17-20 June 1940, under Azad's presidentship reiterated that it could not make non-violence a policy matter in fighting external aggression and absolved the Mahatma from guiding the Congress. The Delhi Congress, 3-7 July 1940, endorsed the Wardha resolution to which even Vallabhbhai Patel gave his support which the Mahatma regarded as the 'most coveted prize' for the dissenters. Azad declared: "I am prepared to accept the independence of my country at any price. Only thing is that it should be real independence."

On the War issue, C Rajagopalachari, K M Munshi and Bhulabhai Desai left the Congress in protest. The Mahatma was rallying his forces,

and even threatened to go on fast unto death which shocked C Rajagopalchari and Patel and others and anxiety struck. They wondered how the country would take it. In his letter of 13 July 1942, Mahatma wrote to Nehru:

I have thought over the matter and still feel that your capacity for service will increase if you withdraw. And to that extent you will find satisfaction. You may attend the Committee occasionally as I do or as Narenderdev does. This will ensure your help being available and at the same time your fully retaining your freedom plea.

This is my plea about Maulana Sahib. I find that the two of us have drifted apart. I do not understand him nor does he understand me.... We have to face facts. Therefore, the Maulana should relinquish Presidentship... the Committee should elect an interim President. Please show this letter to Maulana Sahib. At the moment it is intended for you two only... Whether you approve of it or not, it should not cause any unpleasantness. As far as I am concerned you are free to issue this appeal to the Press. It is not necessary to come here for a discussion of the resolution.

This letter was written three weeks before the Quit India resolution. Due to Patel's intervention, the crisis was averted. But both Nehru and Azad had no heart in the Quit India movement, which I regard as a grievous political blunder of great magnitude for which the country had to pay a big price. With the disappearance of the Congress from the political scene for about three years, Jinnah emerged as a sole spokesman of the Muslims. In the nineteen-twenties he had asked for 33 per cent Muslim seats in the central legislature and was denied but in 1945 at Simla conference he asked for parity with the Congress in the Interim government and had set up the League Ministry even in the North West Frontier Province, and in the Hindu majority province of Assam.

Azad vehemently supported the Cabinet Mission proposals in 1946 and held consultations with British representatives clandestinely, much to the chagrin of the Mahatma. This he did to thwart the Partition, but his was a cry in the wilderness. As a realist Patel saw merits in the long-term proposals of the Mission and made the Congress accept them much against the wishes of the Mahatma. Gandhi felt isolated. Henceforth, he had little role to play in Indian politics. He was a silent spectator to the fast-moving developments taking place in the country.

The Gandhian leadership was over; it was Patel who essentially guided the Congress policy from 1946 to August 1947.

The Maulana never owned a house, and lived in a rented one. When appointed Minister, he took a loan from the Ministry of Finance to buy a car. A part of this amount remained unpaid, and Nehru settled it after Azad's death. The amount of Rs. 15,000 had to be paid in five instalments. On his death, his bank balance showed Rs. 2800. Nehru too had faced financial difficulties after his father's death. He lived on the shares bequeathed by his father. His wife's and daughter's illness strained his financial resources. The upkeep of Anand Bhawan and a garden was more than he could afford. Their books brought them some money, but they were duped, as is common, by their publishers. Krishna Menon in London wanted to file a suit against Nehru's publishers, the Bodley Head, but Nehru prevented it. So did Azad when Asif Ali wanted to sue his Calcutta publisher. G D Birla offered a regular stipend to Nehru, but Nehru declined it. Scarcely ever lived a man — perhaps a solitary instance — disowned, discarded and humbled by his own community as Azad. Jinnah called him “a Muslim show-boy Congress President” and refused to shake hand with him at the Simla Conference in 1945. In 1946 he was physically injured in Srinagar and Aligarh. Dr Zakir Hussain wrote:

اردو زبان کی ایسی کوئی گالی نہ تھی جو مسلمانوں کو سب سے بڑے عین کو نہ دکھ ہو
وہ گالیوں کا گھانا تھا اور دے گا جس دیتا رہا۔

Urdu zuban ki aisi koyi gali na thi jo Mussalmano ney sab se barey mohsin ko na di ho. Woh galian khataraha aur doyan daita raha.

(The Muslims never spared any abuse in Urdu vocabulary which they did not fling on their great benefactor but he bore all this and continued praying for them.)

Azad indulged often in self-introspection. In *Ghubar-e-Khatir*, he wrote that he chose thorns for himself and left flowers to be picked by others. He thought that he did not belong to the age he lived in and was dragged into it. Often he would recite Sadra Shirazi's verse:

میں لہبت ام و قیسمت افروز شایست
وہی بخر بیشتر از باغ وجودم

*Kam lazatt um wa kimtam afzoon shammar ast
goyi samrey paishtar uz baghey wajoodan.*

(My taste may be less but my worth is beyond calculation, well, I am a fruit grown in the garden before the season.)

Again

لوگ بازار میں دکان لگاتے ہیں تو اس حکیم دھونڈ کر لپکتے ہیں
جہاں خریداروں کی بھیر لگی ہوئی ہے اس دکان کا تو اس حکیم
دھونڈ کر لگا لے گا کہ تم گاہکوں کا گوزار ہو

*Log bazaar mey dokaan lagatain hain tau aisi jagah dhoond kar
lagatey hain jahan khirdaron ki bhir lagi ho. Mai ney apni dokaan lagai to
aisi jagah dhoond kar lagai key kam say kam gahakun ka goozar ho.*

(People set up their shops where there is a throng of buyers, but I set up mine where few of them pass by.)

Further

افسوس ہے کہ زمانہ میرے دماغ سے کام لےنے کا کوئی سامان نہ رکھ
سکا۔ غائب کر حضرت ابنِ شکر کی ماں دینا تھا، نہیں معلوم میرے ساتھ قبر میں
یہ کیا چیزیں جائیں گی

*Afsos hai key zamnana mairey damagh say kam layney ka koyi
saman na kar saka. Ghalib ko sirf uski shairi ka rona tha, maloom mairay
sath kabar may kya kya cheezain jayengi.*

(Alas! The world could not use my intellect. Ghalib's anger was over his poetry. God knows what burdens I shall carry to my grave.)

Azad and Nehru were essentially men of shining integrity and exemplary courage. Their firm commitment to Indian nationalism and secularism made them intimate allies in one of the most crucial periods of our anti-colonial history. They could die smiling on the gallows for the love and freedom of the country. Indeed, their shared dream of "composite culture, secularism, human dignity, independence of thought, and freedom of expression was India's legacy after 1947." These scholar-politicians envisioned a democratic India, free from

communal strife and disharmony. It is their vision of a modern, democratic secular India that is under threat today, and it is time that we invoke their political legacies for the creation of a just, pluralistic and egalitarian Indian society and polity.

References

1. Abul Kalam Azad, *Khutbat-I- Azad*, New Delhi, 1981, pp. 337-38; *India's Maulana*, Syeda Sayidain Hameed, New Delhi, 1990, p 176.
2. *Khutbad-I - Azad*, pp 279-280; *India's Maulana*, p 332.
3. *Jawaharlal Nehru's Speeches*, 1948, 16 May 1949, New Delhi, 1949, pp. 335.
4. Ibid.
5. *The Collected Works of Mahatma Gandhi*, vol. LXXVI. Letter Number 339, Ahmedabad, 1992.

Note: In this article, I have not used or cited from *India Wins Freedom*. I do not regard it as Azad's book. For its analysis, see V N Datta, *Maulana Azad* (Delhi, 1990), pp. 209-16.

IDEOLOGICAL INFLUENCES ON MAULANA AZAD

Iqbal Husain

Abul Kalam Azad (1888-1958) has left a great mark on the annals of the freedom movement in India. In a period of stress and turmoil of communal politics and abusive propaganda by the Muslim League, Azad stood like a rock as a symbol of secular nationalism. Azad, originally Muhiuddin Ahmad, belonged to a deeply religious family. His father Maulvi Khairuddin (1831-1908) was a *pir* (mystic preceptor) with considerable following. His maternal grandfather, Maulana Munawwaruddin, was a pupil of Shah Abdul Aziz of Delhi, a relation of Shah Waliullah. Munawwaruddin did not, however, agree with the ideas of Shah Waliullah. Khairuddin followed suit and made deliberate attempts to keep Azad from Waliullahi literature¹. At the beginning, Azad received traditional education from his father and grew up in an atmosphere where doors were closed to the outer world. After attaining considerable education at home, Azad had some freedom to see the outer world². As he was not satisfied with the traditional education which he had obtained so far, he remained in a state of restlessness. By chance he came in contact with the writings of Saiyyed Ahmad, the later Sir Syed Ahmad Khan. It was known that Sir Syed was not a confirmed *alim*, yet his writings fascinated Azad greatly³. Azad went through other works of his so that within six months he read almost all the books of Sir Syed.

Azad recounts that mentally he lived in the state of an intoxicated person and he found a rare treasure in Syed's writings. He was proud of that and everything of the belief and thought of the past appeared a mere trifle to him. He felt ashamed that six months earlier he held such beliefs and was surprised how he had been forbidden from such a treasure of ideas. Now Azad confessed that now adrift he left the world of disputation between tradition (*taqlid*) and non-tradition, Wahabism and Hanfiyat. He used to feel himself placed at such a height that, the differences among all these sects whether Hanafites or non-imitator, Shias or Shunis, Maturidi or Ash'ari, with their beliefs appeared to be petty and small.

¹ Malihabadi, *Azad Ki Kahani Khud Azad Ki Zubani*, Delhi 1958, pp. 45-46, 90-92, 164-65. (Hereafter cited as *Kahani*).

² Ibid. pp. 187-96.

³ *Kahani*, pp. 214-382.

Azad felt that: none of them were acquainted with real Islam or in the terminology of Sir Syed '*thet Islam*'. The truth of the Quran, its knowledge and the teachings of religion had remained "behind the curtain" for 1,300 years and it was Sir Syed who had lifted the curtain⁴.

Azad became a deep admirer of Sir Syed and worshipped him like an idol⁵, regarding him a complete symbol of human virtues⁶. Sir Syed's influence remained a dominant force, as Azad tells us himself, in shaping his religious and political ideology for sometime⁷. However, later events tell us a different story. What probably influenced Azad in Sir Syed's writings was his interpretation of Quranic verses. He rejected the views of the narrow-minded theologians that the Hindus were *kafirs*. Syed's interpretation of Islam was that it was in conformity with the laws of nature and all human beings were bound to follow them. This led to the logical conclusion that the differences between the Quranic faith and those who had different faiths were verbal and not real. Sir Syed's argument was that man was free to choose between good and evil and that a Muslim may choose a wrong path just as a non-Muslim might⁸. And both are to answer for their acts on the Day of Judgement. To Azad's traditional background, such an interpretation was bold and original; and it seemed to him that it opened the path for mutual co-operation among Hindus, Muslims and other religious communities of India.

For Azad, Sir Syed's views were fascinating. It is quite probable that Azad also came in contact with Sir Syed's interpretation that the term Hindu did not denote a particular religion and every one who lived in Hindustan had the right to call himself a Hindu⁹. Towards the end of his life, Sir Syed elaborated his religious views further: "In our opinion just as the difference of religion which exists between the Musalmans and the Hindus ought not to prevent social dealings, mutual affection, love and sympathy between them, so also difference on political questions ought not to prevent social dealings, mutual affection and sympathy". "Undoubtedly", he continued, "just by ignoring difference of religion, we desire that there should be established between the Hindus and the

⁴ *Kahani*, pp. 382-83

⁵ *Ibid.* p.382.

⁶ *Ibid.* Datta in his pioneering work does not refer to Sir Syed's influence on Azad. His silence is understandable in view of his reservation about *Kahani and India Wins Freedom*. Preface two *Maulana Azad*, New Delhi, 1990.

⁷ *Kahani*, pp. 383-84.

⁸ Cf. Tara Chand, *History of Freedom Movement*. Vol. II, pp. 356-57. Also see Datta for a brilliant discussion on the subject. *Maulana Azad*, pp. 186-87.

⁹ *Majmua lecturehai Sir Syed*. 1892, pp. 117-21.

Muslims, friendship, affection, unity and sympathy. In the same way, by ignoring political differences also, we desire that in social dealings there should be mutual friendship, affection, sympathy and brotherhood among them”¹⁰. This outlook may easily be traced in Azad in later years when he had to encounter the conflict between the followers of Muslim League and the Nationalist Muslims.

Here a word may be added, by way of a slight digression: Sir Syed was not the first person to talk of unity between the Hindus and Muslims. This particular interpretation of the Quran was well known to the *ulama* who took part in the Rebellion of 1857. Who propounded this first interpretation is not very clear. The *Risala Fath-i-Islam* issued from Lucknow in 1857 and its contents are quite relevant to the present discussion: “All the Hindus and Musalmans of each town and place getting themselves united and by raising an Amir (leader) should attack the accursed nation (i.e., the English)”¹¹. Most of the Proclamations issued during 1857 by the rebels were addressed to the 'Hindus and Musaimans' calling upon them to unite for the protection of the country, *deen* and *dharm*. The author of *Zafar Nama*, writing around 1860, refers to the rebels' slogans, '*deen to dui deen, Hindu Ka dharam Musalman ka iman*' (There are only two religions, the *dharam* of the Hindus and the *Iman* of the Muslims) "*Ek pita ke doee putr, ek Hindu ek Turk, inka choli daman ka saath*' (Born of one father one is Hindu and the other Muslim the two are inseparable)¹². The rebels' proclamations generally began with the words 'brethern', 'Hindu and Musaiman brothers'¹³, and so on. In the proclamations the message of the rebels was clear: 'it is therefore incumbent on all Hindus and Musalmans that they should be of one mind in this struggle and make arrangements for the preservation with the advice of some creditable persons'¹⁴. Here it may further be added that one of the '*alims*' of Deoband and a rebel leader of 1857 had enunciated a clear policy on the question of national unity: “for the fulfillment of the national aims in temporal affairs, the *shariat* permitted Muslims to enter into agreement with the Hindus”¹⁵.

¹⁰ *Akhri Mazamin*, Lahore, 1898, p.50.

¹¹ *Risala Fath-i-Islam*, p. 5.

¹² *Zafar Nama*, M/s. India Office No. 4131, p. 23.

¹³ *Risala Fath-i-Islam*, p. 6; Firuz Shah's Proclamation, *Freedom Struggle in Uttar Pradesh*, vol. I, Lucknow 1957, pp. 453-58.

¹⁴ *Freedom Struggle in Uttar Pradesh*, vol. I, pp. 438-39.

¹⁵ *History of the Freedom Movement in India*, Vol. II, pp. 384-85.

In this background Douglas' formulations of influences on Abul Kalam, and Rajat Ray's understanding that Azad was influenced by Pan-Islamic ideology during his stay in the Middle East¹⁶ merit some attention. Douglas apparently takes a cue from Syed Mahmud's belief that Azad "imbibed the reformatory movement which had been launched by Syed Jamaluddin Afghani and Shiekh Abduh... It was the influence of these two great scholars which stimulated the mind of young Abul Kalam Azad to inaugurate a like movement in his own country¹⁷". Writing about 30 years later, Douglas was to say that "the statement was apt, if the emphasis was on the spirit of the movement, rather than the direct influence of Afghani and Abduh"¹⁸. Douglas also contests the views of Aziz Ahmad that Azad acted under Afghani's influence.

While such theories proliferate, the fact remains that while Azad does refer to the influences of Sir Syed, he nowhere says of having been influenced by Abduh or Afghani. What he was to say after having travelled through the Arab and Ottoman world and meetings with the revolutionaries and young Turks there, was that these encounters 'confirmed' his political belief¹⁹. He admits that during the course of his meetings, with the Arabs and Turks, they were surprised to know that the Indian Muslims were either indifferent or opposed to nationalist demands²⁰. It may be inferred that these expressions stirred the nationalist feelings of Azad which he already entertained from his earlier revolutionary days. It would indeed be naive to accept the argument that the "ideas current among the followers of Mustafa Kamil²¹, were not Abduh's ideas in favour of educating Egyptian society in political virtue", but were keyed to the need to mobilize people for the struggle against the British²². It will also be over-simple to believe that the entire inspiration for Azad's nationalism was drawn from Kamil's enthusiastic vigorous, uncompromising demands²³.

¹⁶ Ian Henderson Douglas, *Abul Kalam Azad...ed.* Minault and Troll, New Delhi, 1988, pp.82-86.

¹⁷ Syed Mahmud, A Resplendent Personality, in Kabir, ed. Maulana Abul Kalam Azad Memorial volume, New Delhi, 1959, p.39.

¹⁸ Abul Kalam Azad, p. 82.

¹⁹ *India Wins Freedom*, reprint 1984, p.

²⁰ Ibid.

²¹ Mustafa Kamil regarded Britain as the greatest enemy. He established Hizb al Watan (Nationalist Party) in 1907. He was extremely popular among the students and the Egyptian masses. A.M. Hourani, *Arabic Thought in the Liberal Age*, London 1962, pp. 156-58, 193, 198-202.

²² Abul Kalam Azad, p. 84.

²³ Abul Kalam Azad, p. 85

II

In understanding Azad one cannot ignore two other contemporary nationalist and revolutionary persons, viz., Barkatullah Bhopali (1858-1927) and Husain Ahmad Madni (1879-1957). Both had a strong religious background and were great religious scholars and revolutionaries. Barkatullah after obtaining traditional education received English education at Jabalpur and managed to reach England for higher studies. There he met the revolutionary leader Shyma Kirshna Verma²⁴. As a madrasa student he had already met Jamaluddin Afghani towards the end of the nineteenth century. Verma turned him into a revolutionary. Husain Ahmad Madni was on the other hand a profound scholar of Arabic and Islam. He was also a desciple of Maulana Mahmudul Hasan the revolutionary *alim* from Deoband and leader of the Silk Letter Movement. Madni was deported to Malta in 1916 with Maulana Mahmudul Hasan, and there they lived for five years. Barkatullah and Madani were totally opposed to the continuation of British rule in India. Barkatullah while wandering from place to place always under British diplomatic pressure was able to maintain contact with Indian nationalists through nationalist literature.

One of the articles of Hasrat Mohani, then a student of M A O College, Aligarh, attracted the attention of Barakatullah. Appreciating Mohani's nationalist views and emphasis on Hindu-Muslim unity Barkatullah wrote a detailed letter to him, where he pointed out: "In the last ten years nearly 20 million people died of hunger and starvation. These poverty stricken people were both Hindus and Musalmans"²⁵. Exposing the exploitative nature of British rule in India under which Indians became poorer, their industries were destroyed, wealth drained, trade and commerce monopolized, the artisans and peasants were impoverished, agriculture declined and Indian debt grew enormously, he urged upon Muslims to join the Indian National Congress which would render a real service to Islam. He further said that staying alone they would weaken national unity and themselves become weaker.

Barkatullah's assessment of British rule in India was thus not different from what his predecessor, nationalist Dadabhai Naroroji had expressed in articles gathered in 1901, *Poverty and Un-British Rule in India*. Barkatullah also reminded the Muslims of their duty as Indian:

²⁴ Iqbal Husain, Harf-e Azadi Number, U.P. Urdu Academy, Lucknow, pp. 23-54.

²⁵ The letter has since been printed in a pamphlet entitled *Risala Hindu wa Musalman dar Hindustan*, tr. Maulana Abdul Hamid Quadri of Badayun.

"There are two obligations on the Indian Musalmans and its fulfillment on them is indispensable. One is the obligation to the country and the other concerns religion. The love of the country demands that one should not shirk from the service of the country even at the cost of wealth and life.

The history of mankind stands witness that he who is devoid of love for the country is outside humanity"²⁶. In Madni we find identical views:²⁷ "The people of India irrespective of religious differences ought to form a united nation in order to secure independence and pursue policies of common welfare"²⁸. It will thus be seen that on the question of Hindu-Muslim unity Sir Syed, Barkatullah and Husain Ahmad Madni had almost similar views. The only difference between the three was that Sir Syed's advocacy for unity was with an unalloyed loyalty to the Raj, whereas the latter two were opposed to it tooth and nail. Azad, though once under the spell of Syed's writings, supported the views of the two revolutionaries and devoted his life to the national cause and kept on preaching the gospel of unity.

III

Azad emerges a taller religious personality when we compare him with his contemporary Maulana Abul Ala Maududi. On political issues both derive inspiration from Quran but are poles apart in their views and interpretation of the scripture. Azad believed that even religious issues such as Khilafat were dependent upon the independence of India²⁹. Contrary to this, Maududi viewed the establishment of a theocratic state as necessary for solving the problems of Muslims. Maududi's theocratic state was to be run by the Muslims to enforce the shariat. Azad saw the independence of India as a source of liberation for all. The differences between the two in interpreting Quran widens on many issues. Azad, according to his own understanding of Islam, says that Islam was not a new religion. It was declared to the people through the messengers of God to all countries and nations as it is stated in several verses of Quran³⁰. In Tarjuman-al Quran he says: "The

²⁶ Risala Hindu wa Musalman dar Hindustan, pp. 5-6.

²⁷ Husain Ahmad Madni, *Naqsh-e-Hayat* (2 volumes); *Muttahida Qaumiyat aur Islam*. Deoband

²⁸ Cf TaraChand, *History of the Freedom Movement in India*, Vol. III, New Delhi, 1972, p. 259.

²⁹ *Qaul-i Faisal*, Delhi, p. 103.

³⁰ Quran, 3: 3-4.

principle underlying faith in Allah (Din-i-Ilahi) is brotherhood and unity of the human race and not difference and hatred. All the prophets of God who appeared on earth gave the same teaching, viz., all human beings are one and the Sustainer of all of them is one God"³¹.... Azad thus believed that India's independence was bound to solve the problems of all irrespective of their religious faith. Referring to the Hindus and Muslims having a common history, language and culture he declared at the Ramgarh Session of the Indian National Congress: "... this common heritage is the rich possession of our united nationality. We cannot surrender this wealth in order to return to the age which preceded this life partnership. If there are amongst us Hindu minds, which desire to revive the Hindu ways existing a thousand years ago, then they should know that they are seeing a dream which will never be fulfilled. In the same way, if there exist Muslim minds, which want to revive the culture and social life which, a thousand years ago they brought from Iran and Central Asia, then I tell them that the sooner they awaken from this dream the better"³². As against Azad, Maududi's thoughts are conditioned and look backward to what existed 1400 years ago in the early days of Islam without having any consideration of time and space and the political condition of India. Thus his whole emphasis rests on a theocratic state to be run and managed by the believers³³.

In Maulana Maududi's writings there is little about the nature of the British rule in India, the plight of the people and no anxiety to free Indians from the slavery of the foreign rulers. Though he entered the Pakistan bandwagon late, he came to support the Pakistan demand by expressing distrust of the Hindu majority in his Madras speech of 1947³⁴. Azad with a clear vision, and full trust in the same people was opposed to any diversion, and warned: "...the scheme cannot by any means benefit the Muslims or remove their doubts and fears"³⁵. Azad was far from the fear and hatred. He took pride in being both a Musalman and an Indian. He considered himself to be part of 'an indivisible unity that is Indian nationality'. He considered the Muslims to be a noble edifice and without whom that splendid structure of India was incomplete. He asserted that

³¹Tarjuman-al Quran, Vol I, Sahitya Akademy, New Delhi, 1980, P400

³² Musalman aur Congress (pamphlet), pp. 26-27.

³³Abul Ala Madudi, *Khiafat aur Malookiyat*, chapters 1 to 16, Delhi, 1967, pp. 1 to 44.

³⁴Abul Ala Maududi, *Khutba-I-Madras*, reprint, Delhi, May 1993, pp. 5-38.

³⁵Ramgarh speech, 19-20 March 1940, reproduced in A.M. Zaidi (ed.). *The Muslim School of Congress...*, New Delhi, 1987, pp. 341-42.

he was an essential element which had gone to build India and he was not prepared to surrender this claim³⁶.

In Azad we find no extra territorial influences. His religious and political ideology had its roots in Indian soil. As a man he was neither reactionary nor pessimistic nor bound by any narrow religious vision like his non-nationalist counterparts. He had a vision of an independent India where people of all faiths with equal rights were to live in peace and honour, mutual trust and harmony. Thus to quote Datta "we take leave of a truly great patriot, a staunch nationalist, an apostle of Hindu-Muslim unity, a Mir-i Karwan, a man of iron nerves who never flinched from his principles even though he suffered from calumnies"³⁷.

³⁵ Ibid.

³⁷ *Maulana Azad*, p. 228.

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